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FINANCIAL TIMES

FRIDAY JANUARY 29 1999

World Business Newspaper http://www.FT.com

FT Weekend tomorrow Drowning or waving? Venice debates how to keep its head above water



After the trial **Clinton back** on top Philip Stephens, Page 20



The UK and the euro The price of late entry could be high

| Today's surveys Stobal Investment Banking Global Business Outlook Separate sections

The FT at Davos

World leaders from government. business and academe are in Davos, Switzerland for the annual meeting of the World Economic Forum. News and analysis from this agenda-setting summit Page 4

WORLD ECONOMIC FORUM

WORLD NEWS

Talks timetable must be kept, Nato warns Kosovo combatants

Nato warned Serbs and Albanians in the Kosovo conflict to stick to the peace talks timetable due to be set by the sixnation Contact Group today. said Nato had not ruled out any options to ensure both sides met international demands. Page 2

Ireland may join peacekeepers Dublin is to seek the Irish parliament's backing to join Nato's beacekeeping arm - the first sign it may abandon its traditional neutrality. Europe, Page 2

Looting sweeps quake town Colombia's president Andres Pastrana ordered a military crackdown yesterday after looting and rioting in Armenia, the city worst hit by Monday's earthquake. Americas, Page 3

impeachment trial plans The US Senate struggled to map out a quick end to President Bill Clinton's trial that would satisfy the White House and Republican trial managers. US, Page 4

US attack in Iraqi no-fly zone US lets fired three missiles at an ragi anti-aircraft artillery site in the northern Iraq no-fly zone. US general defends policy, Page 8

Jakarta parliament backs reform Indonesia's parliament passed sweeping political reforms, clearing the way for June elections. Canberra welcomes policy shift, Page 6; Editorial Comment, Page 21

Dispute raises. Gibraltar tensions Diplomats looked for ways of easing tension between Spain and Britain over a fishing dispute off Gibraltar. Europe, Page 2

Family escapes N Ireland bomb A woman and four children escaped injury when a bomb thrown into their house in the Northern Irish town of Dungannon failed to explode. US company to shed jobs, Page 9

Hunt for royal treasure ship Archaeologists in Scotland may have discovered a wreck which sank 366 years ago laden with King Charles i's treasures.

European Union law, says a

watchdog group. UK, Page 9

Devil's in the detail The small print on airline tickets is unfair to travellers and against

BUSINESS NEWS

Swiss and French stock exchanges to form strategic link

The Swiss and French stock exchanges agreed a strategic alliance similar to that between London and Frankfurt in a move to increase their negotiating power in the creation of a pan-European exchange. Page 23

Japan suffered a 6.9 per cent fall in industrial production last year, the worst decline for 23 years. Analysts shrugged off the data as being in line with expectations. Page 22

Alcatel, French telecoms equipment company, is working on "two or three" multimilliondollar acquisitions aimed at strengthening its position in internet-related technologies. Page 23; Lex, Page 22

Misys shares jumped 17 per cent after the UK computer software and services group reported sharply higher profits, helped by work generated by the millennium computer bomb and the euro. Page 27 with Comment

Ericsson, Swedish telecoms group, said volatile markets and launch costs for its new family of mobile phones would hold back first half profits. Page 24

The price of Russia's restructured Soviet-era commercial debt jumped 30 per cent this week on the back of speculation about a restructuring deal. Page 23

TRW, the US steering systems and spacecraft manufacturer. confirmed a £4bri (\$6.5bri) offe for LucasVarity to create the world's second largest independent automotive supplier. Page 23; Comment, Page 27

Big Oil, US oil company, emerged battered from its worst quarter in five years, as fourth-quarter earnings at the large US oil companies plummeted. Page 26

Chiyoda Life, Japanese life assurance company, is under government pressure to boost its financial strength, possibly by

then 50 national markets at a glance Page 41

Ford buys Volvo cars for \$6.4bn Purchase increases pressure on rivals to find partners

By Haig Simonian in London, Tim Burt in Stockholm and Nikki Talt in Chicago

Ford Motor yesterday agreed to buy the cars division of Sweden's Volvo for \$6.45bn in cash in the latest consolidation in the world motor industry.

The purchase came as bidding rose for LucasVarity, the Anglo-American components group being courted by TRW and Federal-Mogul of the US with offers worth more than £4bn

The sale of Volvo cars, which built almost 400,000 vehicles last year, will increase pressure on Scania, the Swedish heavy truckmaker. Volvo bought almost 13 per cent of its rival this month

ued at SKr47bn (\$6.1bn).

Ford's move will increase pressure on other carmakers to find partners at a time of cut-throat mpetition and chronic overcapacity. Spurred by last year's creation of DaimlerChrysler, leading manufacturers have been reassessing assumptions about optimum size and economies of scale.

Ford's acquisition triggered sharp rises in the shares of carmakers believed to require partners. In Paris, Renault jumped 7.8 per cent to €45.12 and Peugeot-Citroën climbed 4.3 per cent to

The sale of its cars side will boost SKr0.50 to SKr211 after reaching to include Volvo's truck, con-Volvo's ability to buy Scania, valabigh of SKr231 during the day, struction equipment and marine Scania shares, which jumped 20 per cent on news of Volvo's purchase this month, climbed 1.9 per

cent to SKr240.5. By contrast, Plat shares fell sharply at first before closing barely changed as investors reacted to the failure of its latest partnership attempt.

The Italian group, which will today announce sharply lower preliminary 1998 profits because of problems at its core Fiat Auto subsidiary, had been negotiating a merger with Volvo.

"The sole acquisition of Volvo's automobile division did not fall Shares in Volvo barely moved in with Fiat's Group's strategic after the failure of takeover talks. on the announcement, rising plans," Fiat said. It had wanted

and jet engine businesses. Bank-Italian group had offered \$7bn for

Leif Johansson, Volvo group chief executive, said the division was sold because Volvo lacked the size and resources to remain competitive in the long term.

He stressed Volvo's ambitions in other industrial areas. Apart from Scania, the group is known to be considering acquisitions in trucks, buses and engines.

Ford's undertakings to preserve the Volvo brand and manufacturing in Sweden were welcomed by politicians and union leaders. Göran Persson, prime

minister, said: "It is positive that a foreign manufacturer (of this size! wants to invest in Sweden."
Jac Nasser. Ford chief executive, said Volvo's cars would complement the US manufacturer's six brands.

Apart from substantial savings in purchasing and logistics, Ford indicated future Volvos could be built in the US. The US is Volvo's biggest market, with more than 100,000 soles last year.

J. P. Morgan advised Volvo, while Ford was advised by War-burg Dillon Read. Additional reporting by Paul Betts in Milan

Editorial Comment and Observer, Page 21 Lex, Page 22 Volvo reports, Page 24

Internet stocks have appeal of a lottery, says Greenspan

By Gerard Baker in Washington

The rapid recent rise in akin to the popular appeal of a lottery, Alan Greenspan, the chairman of the US Federal Reserve, said yesterday.

He added that most of the companies were likely to fail. The Fed chairman said inves-

tors' heightened interest in inter-

edly, some of these small companies which have stock prices going through the roof will succeed and they very well may justify even higher prices. The vast majority are almost sure to fail. That's the way the markets work," he told the Senate Budget

Mr Greenspan's remarks were respond to surging US equity markets. They indicated once again Mr Greenspan's uneasiness at the high valuation of many companies' stock.

The Fed chairman tempered his warnings by allowing that the interest in internet stocks resulted to some extent from fundamental changes in the economy, which justified some of the sector's performance.
The issue really gets to the

increasing evidence that a significant part of the distribution of goods and services in this country is going to move from conveninternet system - whether it's retail goods or services or a variety of other things."

But Mr Greenspan said the market was operating along similar principles to that of a lottery where people will pay far more for a ticket than is justified by the true value of a one-in-amillion chance of winning.

internet-related stock prices was China is starting a new push to climb the technology ladder by commercialising the work of research laboratories and allowing private technology

Li Zibin, the mayor of

preparing to ease listing requirements for high-tech companies and to speed up their approval. Report, Page 6

Commission (CSRC), China's

stock market watchdog, was

bers of the new euro-zone.

really difficult," Mr D'Alema told the Financial Times. "Politically, we face some big challenges. The centre-left governing majority bordering Hong Kong, said that the China Securities Regulatory will either emerge strengthened or it will be defeated."

Among the challenges that Mr D'Alema singled out is the need for the coalition of about a dozen political parties to agree on a prime minister] Silvio Berlusconi candidate to take over from President Oscar Luigi Scalfaro as head of state this summer. "If the

D'Alema warns of danger ahead for

Massimo D'Alema, Italy's prime minister, has warned that his centre-left government faces "difficult" political obstacles over the next four months that threaten the life of his 100-day-old coali-

Mr D'Alema has signalled that coalition must urgently unite over pressing political and constitutional issues, or face the colapse of the government this

One month after Italy became a founder member of the single European currency the political ranks has again raised fears about how reliable a partner the weaken his candidacy.' country is for the 10 other mem-

Italian coalition

this, it could be very seriously

weakened." he said.

He also expressed concern about a concerted attempt by Romano Prodi, his predecessor as prime minister and one-time ally, to form a new political party, fearing that this could "fragment" Italy's centre-left.

Mr D'Alema, the first ex-comthe parties in his wide-ranging munist to be Italian premier, formed a broad-based coalition last October after the collapse of Mr Prodi's administration.

The prime minister said Mr Prodi, by taking such an active role in domestic politics, was undermining his bid to succeed Jacques Santer as European squabbling in the coalition's Commission president. "I am worried that this business might

Mario Monti, Italy's European Union commissioner, warned ear-The three or four months we lier this week that Italian politihave ahead of us are going to be clans risked "devaluing the country" and "marginalising it politically" following recent disputes. A senior western diplomat also warned that divisions in the coalition could put the centre-left at risk in a general election this year or next. "For the first time. I am beginning to think there is a realistic chance that [former and the right could get back into power," the diplomat said.

governing majority divides on D'Alena keeps to his course, Page 2

net stocks was a tribute to the Shenzhen, a relatively taking a foreign partner. Page 25 efficiency of US markets' ability to find new opportunities for which are, either it's going to be growth, but warned a degree of **World Equity Markets** "hype" had entered the equation. valued at zero or some huge number - you get a premium in "You have these pie-in-the-sky The latest trends and data from more type of potentials for a lot of difthat stock price which is exactly ferent vehicles. And, undoubtthe same sort of price evaluation

Mastering Information Management A 12-part series on the I in IT starts on Monday. Part One: improving company performance

WORLD MARKETS

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Beijing plans fresh drive on technology high-tech boom town

companies easier access to stock market listings, it said

process that goes on in the lot-The comparison with a lottery is not flattering of the internet companies or of the investors. Companies such as Ama-

zon.com and Yahoo! have

enjoyed startling increases in their stock prices in recent months. although some of the the latest in a series on the Fed's heat has gone out of the market thorny problem of how to in the last week or two. Concern among regulators and industry bodies about the excitement surrounding internet stocks has intensified recently. The

> National Association of Securities Dealers has established a committee to examine measures to curb volatility in the market. The Nasdaq market, which is highly influenced by the performance of technology related stocks, was up 56 points yesterday in morning trading, in spite

of Mr Greenspan's warning. The US central bank has come under fire from some economists for its failure to act quickly to tional channels into some form of burst what they see as a stock market "bubble". Mr Greenspan has repeatedly warned that stocks might be seriously over valued, but, far from raising interest rates, the Fed cut rates three times last autumn.

Budget attack, Page 4 Editorial Comment, Page 21 Lex, Page 22 "When you are dealing with Alcatel pursuit, Page 23 stocks - the possibilities of Yahool to buy Geocities, Page 26

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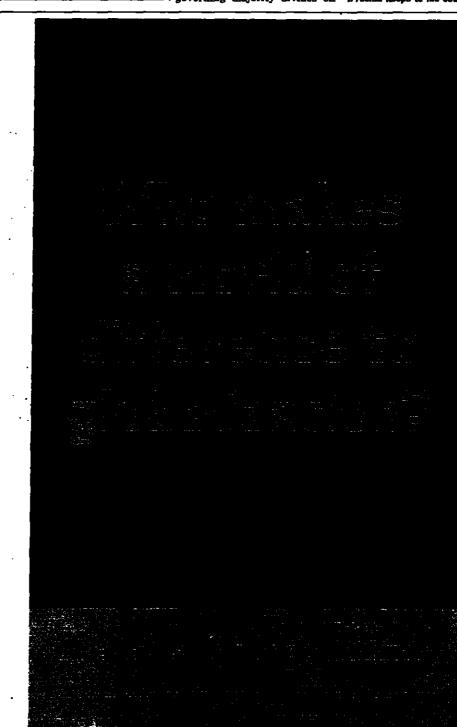
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Capital Markets 30

Full contents and Lex: back page



'Kosovo sides must stick to timetable'

By David Buchan in London and ince of Kosovo, where armed Guy Dinmore in Belgrade

Nato yesterday warned both the Serb and Albanian sides in the Kosovo conflict to stick to the tight timetable for peace talks due to be set by the Contact Group of major powers today.

Group, meeting in London ties. It told the Yugoslav this morning, is expected to summon Yugoslav govern-ment and ethnic Albanian leaders to start negotiations in a week's time on a settlement in the Serbian prov-

Schröder

spotlight

turns

open revolt against Belgrade for nearly a year.

The talks will be held outside Yugoslavia, like the negotiations in Dayton, Ohio, that ended the Bosnia war in 1995.

Nato delivered a double The six-nation Contact warning to the warring parauthorities to reduce their army and police forces in Kosovo to the level agreed with Nato last October, and "end excessive and disproportionate use of force".

In its strongest warning to strike Yugoslavia, and has draft proposal giving Kosovo Kofi Annan, yesterday separatists have been in date to the Kosovo Alba- been discussing ways of pre- increased autonomy for an made the first official visit nians, it also said "all Kosovar armed elements must immediately cease hostilities and any provocative actions, including hostage-taking".

Javier Solana, the Nato secretary-general, said in a statement that the alliance "stands ready to act and rules out no option to ensure full respect by both sides of the demands of the international community". In the past 10 days, Nato has been assembling aircraft in Italy and the Adriatic that could today - on the basis of a

venting arms from reaching Kosovo from Albania.

The urgency of the peace initiative was underlined yesterday as Yugoslav and Kosovo Liberation Army forces clashed along Kosovo's western border with Albania. "It is time to start talking and stop fighting", said Robin Cook, the British foreign secretary, who will chair today's Contact Group meeting. After the group launches its peace initiative

interim period of three years by a United Nations sec- Nato ambassadors are due to meet tomorrow to turn yesterday's warning into a

more precise ultimatum. Russia has strongly opposed any Nato bombing in Kosovo but, along with the US, Britain, France, Germany and Italy, it is a member of the Contact Group, and appears to have implicitly endorsed the twopronged strategy of political initiative backed by Nato

retary-general to Nato headquarters in Brussels, and voiced strong support for a threat to force a political settlement in Kosovo.

He said he did not underestimate the difficulty of halting internal conflict, "particularly against the wishes of a government of a he had no illusion "about the the need to use force when all other means have

France about the desirability

of integrating Airbus, the

European civilian aircraft

"I will do all I can to go

down that road, but we can't

force others to share our

view or to join us. We con-

NEWS DIGEST

SHIFT AWAY FROM NEUTRALITY

Ireland seeks to join Nato's **Partnership for Peace**

The Irish government is to seek parliament's backing to Join Partnership for Peace (PFP), Nato's peacekeeping arm, in the first sign it may abandon its traditionally neutral foreign policy stance. Bertie Ahern, prime minister, said yesterday the government would not be "uncritically aligned with Nato. ... but must be prepared to adapt to new situations". It was seeking to join PFP in the second

half of this year. Ireland's neutrality is enshrined in its 1937 constitution, a policy shaped by the long-running dispute with the UK over Northern Ireland. But with the Ulster peace settlement taking root, the main opposition party has already suggested that Ireland should seek full membership of the Western European Union, the EU's defence and security

Mr Ahern said the government had "no intention" of joining any such mutual defence pact as the WEU or Nato. Any such move would require a referendum. However, joining the PFP, which was set up in 1994 to provide a staging post for east Europeans to become members of Nato, would mark a further shift in Ireland's non-aligned foreign policy. John Murray Brown, Dublin

RUSSIAN ANTI-SEMITISM

General faces investigation

Nearly four months after a Communist member of parliament caused an uproar with outspoken anti-Semitic remarks, Russian prosecutors opened a criminal investiga-tion against him, officials said yesterday.

Albert Makashov, a retired general, is being investigated for allegedly "inciting inter-ethnic strife" when he blamed Russia's problems on Jews, calling them zhidy or "yids" at

He defended himself yesterday, saying the term was used by some of Russia's greatest writers, "Along with me, prosecutors should also punish Pushkin, Dostoyevsky, Gogol. . . we will all be in the same cell," he said. "All of them used this quite literary word - zhid - meaning a bloodsucker, a bad person." AP, Moscow

GERMAN VEHICLE INDUSTRY

Car output likely to ease

German car production will stabilise at a high level in 1999 but will not reach the 1998 production record, the German car industry association said yesterday. In 1998, German carmakers produced 14 per cent more vehicles than in 1997 and exported 61.3 per cent of them.

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Svin Dien.

Bernd Gottschalk, the association's chairman, said 5.73m passenger cars were produced in 1998 and the output should remain well above 5m in 1999. He said order backloos in the German car industry have been unusually high in the last couple of months. In December alone, car producers registered an order backlog of 628,000 passenger cars, about one quarter above a normal year. Because ger cars, about one quarter above a normal year.

carmakers carried many of their orders over into 1999, this a carmakers carried many of their orders over into 1999, this are the carmakers. assured high production levels at least until the middle of

"No doubt, there are external risks on the horizon, and that should make us vigilant." Mr Gottschalk said. He noted that south-east Asia, Russia and Brazil still had the potential to "paralyse the industrial nations" and German the UK in 1999. Uta Harnischfeger, Frankfurt

CZECH SPY AGENCY

Intelligence chief dismissed

The head of the Czech counter-intelligence agency has been sacked for allegedly endangering state security. Karel Vulterin, head of the much-criticised BIS, was removed late on Wednesday by the government for an unspecified infraction.

Mr Vulterin was brought in to reorganise the agency in 1997 and end its reputation for incompetence and faction-alism. However, he has been criticised for failing to push through reforms, which have become more pressing as the country prepares to enter Nato in March.

The agency has also been blamed for a series of emberrassments, the most notable of which was the sale last year of nine top hotels to Corinthia Group, a Maitese company, which the US regards as Libyan-owned and bans its citizens from doing business with. The BIS was criticised for falling to warn the government in time so it could block the sale. Robert Anderson, Prague

NAZI FORCED LABOUR

Compensation plan expected

Gerhard Schröder, German chancellor, expects to unveil plans next month for a fund to compensate forced labourers who had to work for the Nazis during the second world war, a senior aide said yesterday.

After talks with Stuart Elzenstat, US under-secretary of

state, Mr Schröder's chief of staff, Bodo Hombach, said a solution was "within reach". Progress was made on the issue of ensuring that German companies would face no additional claims from former forced labourers once the fund is set up, he said.

His statement gave no details but appeared to refer to huge compensation lawsuits against German companies in US courts. The lawsuit and fears of more to come have led some of Germany's most powerful companies to seek a way out. After last September's elections, the new government offered to help them set up a restitution fund. AP. Bonn ...

OVERCROWDED JAILS

Plan to free Russian prisoners

Russia said yesterday it planned to free about one in every 10 prisoners to ease overcrowding in its cash-strapped Jails. The plan would give amnesty to around 100,000 nonviolent criminals.

Yevgeny Primakov, prime minister, said the amnesty plan would free space in jail for criminals who commit white-collar economic crimes. "Freeing places for those economic criminals we are now pursuing is an important measure," he said.

Human rights groups have denounced overcrowding in Russian jalls and pre-trial detention centres. They also condemn food shortages caused by Russia's economic crisis in which prisoners get about 70 kopaks (3 US cents) of food a day. .

Pavel Krasheninnikov, justice minister, said the proposals would apply to war veterans and men over 60, pregnant women and women over 55, and invalids and people with tuberculosis and Aids.

He said among those released would be 3,500 veterans and invalids, 2,000 teenagers, 11,000 women, 3,000 non-violent criminals and 13,500 criminals serving their first sentence. Reuters, Moscow

Dasa committed to united approach

on jobless

By Frederick Stüdemann in Benn

Gerhard Schröder yesterday tried to brush aside his U-turn earlier this week on Germany's nuclear power policy and focus attention on

of attacking unemploym In an interview with the Tagesspiegel newspaper the chancellor said: "I do not want the withdrawal from nuclear power to be at the forefront of the political debate much longer." He acknowledged that the issue was an "identity-forging issue" for the Greens, junior partner in the Social Democrat-led coalition, but said the predominant issue for society remained unemploy-

To emphasise the point, Mr Schröder restated his goal of using the German presidency of the European Union to push ahead with an "employment pact" which would establish minimum social standards and promote training and education. Mr Schröder, who met European trade union leaders yesterday, said the pact was one of the two main issues of the presidency, along with the Agenda 2000 package of EU institutional and finan-

But just as Mr Schröder was trying to escape criticism of the nuclear compromise, in which he agreed to industry's demands for the lifting of a proposed ban on fuel reprocessing, parliamentarians were drawing attention to a further problem area, public finances.

Hans Georg Wagner, SPD budget spokesman, and Oswald Metzger, his Green counterpart, vesterday told parliament of the need for strict consolidation in public finances. Mr Wagner said that further sales of "family silver" through privatisation were no longer possible and warned that "there will be blood and tears in the 2000 budget".

Their remarks came against the backdrop of an estimated DM22bn (€11bn, \$13bn) revenue shortfall in 2000 due because of a ruling last week by the federal constitutional court that married couples with children must be granted the same tax breaks as unmarried parents. Mr Schröder said the ruling had created "a completely different situation". But he ruled out increasing taxes to make good the shortfall. He conceded that his government had set too high a tempo since taking office last October which had forced it into making

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By Tony Barber in Munich Electric Company. Germany's DaimlerChrysler Aerospace (Dasa) said yesterday it still wanted to create a united European aerospace and defence company despite the setback represented by a British decision achieved under the broad patiale, which plans to to "go it alone" for the time

"This still holds true, even after the changes announced in the British defence industry," said Manfred Bischoff, Dasa's chief executive.

He said cross-border European mergers remained the best solution and Dasa was "neither disappointed nor frustrated" at British Aero-

PM tries to keep

warning on

coalition afloat with

consequences of

#assimo D'Alema.

V has been in power for

just 100 days. He could be

excused for thinking that

him for every one of them.

His centre-left coalition

had barely taken office last

October when it was forced

to deal with the arrival in

Rome of Abdullah Ocalan,

the leader of the Kurdish

Workers' party. The ensuing

diplomatic crisis with Tur-

key swamped the govern-

ment's policy agenda for

Having finally got rid of

Mr Ocalan, the D'Alema gov-

ernment found itself close to

a political crisis last week,

ministers threatened to quit

the coalition, only to back

Compounding the misery

has been Romano Prodi, Mr

D'Alema's one-time ally and

predecessor as prime minis-

ter. Mr Prodi, piqued at los-

ing power last autumn,

threatens to launch a new

political party. As Mr D'A-

lema acknowledged in an

interview with the FT, such

a move threatens to "frag-ment" the Italian left.

The next 100 days will be

more treacherous yet. Mr

D'Alema's coalition is

uncom monly broad-based.

combining a group of left-

leaning Italian parties with a

small, barely reconstructed

Christian Democratic one.

As ill luck would have it.

this uneasy coalition must

political and constitutional

changes that would test the

most compact Italian admin-

Parliament must, by June,

republic - a head of state

tured world of Italian poli-

tics. Mr D'Alema said his

multi-party coalition would

now push through a series of

down at the last minute.

when Christian Democrat

weeks.

Italy's prime minister.

division, writes

James Blitz

"Dasa continues to see the

first priority as the establishaerospace capabilities in Europe, provided this can be conditions acceptable to DaimlerChrysler," Mr Bischoff said.

But Dasa was still looking seriously at its options in the US, where the Chrysler component of the group may help open doors for it.

D'Alema keeps to his course despite

treacherous waters of Italian politics

The coalition will also political mould.

Italian people are certain to His government was "born pass a referendum this out of a political crisis and a

the remaining element of proportional representation ect. "I did everything to

from the electoral system. defend the Prodi government

many parties. Mr D'Alema just happen to be popular."

have to agree on the shape

of a new electoral law. The

spring that would remove

Parliament must then agree

a final draft which will

directly affect the political

futures of the legislature's

views that prospect as "a

The biggest problem, how-ever, could be the Prodi

bandwagon. Back in 1996, Mr

Prodi and Mr D'Alema joined

forces to win an election

under the banner of the

broad left of centre "Olive

Tree" coalition. Now, the for-

mer prime minister barely

disguises his feeling that Mr

Mr Prodi has momentum

port of leading figures in the

him down last year.

very serious problem".

Some defence industry analysts say Raytheon and Northrop Grumman are possible US partners for Dasa, space's acquisition last week but believe that the German

sion of the UK's General interests lie in reviving the structures that are accompaprocess of European integra-

ment of a company that a merger with Dasa last year would unite all the major as a prelude to creating a pan-European company bringing in France's Aerosmerge with the Matra defence interests of Lagar-

> Mr Bischoff said one of Dasa's objections to the BAe-Marconi deal, which will create the world's third largest defence company by sales, was that it meant one com-pany or nation might dominate an eventual pan-European group.

"DaimlerChrysler can only

nied by a balanced corporate governance," he said. Dasa would need "a package of rights at management

or shareholder level" and "a fair representation in decision-making bodies". Buf Mr Bischoff also contended that BAe had made "a dramatic overpayment" in spending almost £8bn (\$13bn) to acquire Marconi. "Imagine us going to our achieve our goal."
shareholders and asking • Dasa yesterday forecast

them to accept paying billions for psychological reasons only. "That's why it's impossi-

ble right now to have a European merger.

He said the BAe-Marconi of Marconi, the defence divi- company's real long-term give its approval to company deal had raised doubts in

sider cross-border mergers very important, at least in the long run, but It's not the end of the world if we don't

robust /returns this year

after record 1998 sales, Reuters reports. The company said 1998 sales rose 12 per cent to a record DM17.2bn (68.8bn, \$10.1bn) and incoming orders were up 39 per

Greece seeks airline chief

By Kerin Hope in Athens

Greece's Socialist government is seeking an international airline consultant to take over the management of Olympic Airways, the struggling state carrier, before the start of the tourist season in March. Olympic's deteriorating week dispute with pilots over pay and working hours has derailed a restructuring plan agreed with the European Commission in Brus sels last year. Officials said yesterday urgent measures

were needed to rescue the airline from collapse. The international manager would have two years to complete Olympic's restructuring, with broad powers to

cut loss-making routes and negotiate new labour agreements. The airline would seek a strategic alliance with a European carrier and would be privatised after 2000. Airline officials said yesterday Olympic faced a cash crisis because of a sharp decline in passenger revenues and the abolition this year of its monopoly of ground handling at Greek airports. All its international uct, well within Maastricht | routes are operating at a loss. Olympic has cut more than 15 per cent of its flights after the collapse earlier this

month of talks with the pilots' union. Its losses in 1997 amounted to Dr39.8bn (\$143m), according to an audit completed last month by PwC, the international accountants. compared with an earlier announcement of Dr6.8bn As a result, last year's forecast of Dr5bn in profits "may turn into a loss of several billion drachmas" said a senior Olympic official.

Greece's three small private carriers, which cover some domestic routes and provide air taxi services to the Aegean islands, changed hands earlier this month. The new owners are Greek shipping companies and contractors with cash to invest in new aircraft to compete with Olympic on domestic

But since gaining entry

But he remains confident enough to sound a little unopened Italian newspanotice of all those political polemics and rows." But it is

Massimo D'Alema; scorriful of plans by Romano Prodi to call his party 'Olive Tree' agree on a common candidate.

June's European elections it the country's wider proscould break the current pects. Italy's economic growth was the most sluggish in the euro-zone in 1998, but he believes it can achieve "more than 2 per cent growth this year". The 1998 budget deficit figure should be around 2.7 per cent of gross domestic prod-

> in the October crisis, every- treaty guidelines. into the euro, the pace of economic change seems to have slowed. Italy, it appears, will not meet the deadline it gave the European Commission to close down the Iri state holding company by June next year. "If the Iri chairman comes to me and asks for an extension of the deadline to complete the remaining privatisations, then I'm not going to reply. 'sorry, you've got to close down - gong'," said the

ticians. His warning about the political threats ahead is D'Alema conspired to bring calculated, aiming to make prime minister. his coalition partners consider the consequence of select a new president of the and could cause havor on division: the possibility that carefree. Lifting a pile of the left. His movement has perhaps Silvio Berlusconi with significant constitu- the public backing of many and the right could return to pers, he said: "If I were in tional powers in the frac- of Italy's popular town hall power should Mr D'Alema's your shoes, I would take no mayors and the private sup- government collapse. The prime minister is far

D'Alema government. If, as from admitting defeat. He hard to take him seriously. be "very seriously weak- the pollsters expect, it takes has a high personal poll rat- Italy has had 56 govern-

ened" if it should fail to 10 per cent of the vote at this ing and is confident about ments in the last 54 years. Spain threatens UK over fishing dispute

Mr D'Alema is philosophi-

cal about his predicament.

lot of argument". But he is

thing," he says. "Nor do I

think you can form a party

from a group of people who

As regards Mr Prodi's plans

to call the new party the "Olive Tree," he was scorn-

ful. "The Olive Tree was a

coalition of which I was a

founder. The Olive Tree is

me. If I am not there, then

there's no Olive Tree party."

Mr D'Alema, bowever, is

one of Italy's shrewdest poli-

By Tom Burns in Madrid

Spain has threatened to impose tight restrictions on the land frontier between Gibraltar, the British crown colony, and the Spanish mainland if it fails to obtain guarantees from London that the Rock's police patrol boats will cease harassing local fishermen.

A 72-hour ultimatum that

of the vessel's 14-member "strict frontier controls", a verbal agreement in October last year between Abel colony. Matutes, Spain's foreign expires tomorrow follows the minister and Robin Cook, checks on all traffic entering potentially more dangerous, seizure on Wednesday of a the British foreign secretary. Spain from Gibraltar and

Madrid is preparing what Madrid believes the arrest is diplomatically termed escalated over the disputed It involves lengthy police

fisherman.

rigorously enforced.

300 metres from the Rock's

حكذامن الأحيل

Spanish fishing boat which The agreement allowed local causes interminable delays At the root of the problem was boarded and seized by Spanish trawlers continued at the border which is an ordinance banning effectively isolate the Rock. fishing with nets passed by the colony's police when it access to their traditional Madrid also said it would Gibraltar's legislature in fishing grounds near allegedly cast its nets near stee up its protection of local 1991 but only recently the entrance to Gibraltar's Gibraltar.

> The promise that crew and the confiscation of measure employed in the accompany the trawlers out an agreement in its nets is in breach of a past when tension has persuaded local fishermen to principle which broadly said call off a planned blockade yesterday of Gibraltar's frontier but it could cause

In order to defuse tension coastguard patrols would London and Madrid worked Gibraltar's police would turn a blind eye as long as the fishermen kept more than POSSIBLE PRIVATISATIONS SHIFT IN POLICY

Stockholm

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MARKET AND SHOP

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GERMAN VEHICLE INDUSTRY

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pertant of the THE STATE OF SEPTEMBER CZECH SAY AGENCY

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MAZY FONCED LABOUR Compensation plan exps

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Plan to free Busside F

plans state overhaul tions group, Scandinavian Airlines System, the state The Swedish government is railway and the post office. planning a radical overhaul. It will also run Vattenfall,

that could lead to large scale

SKr400bn (\$52bn).

government spokesman.

centre supporters, who

government control.

management changes and civil aviation administration. pave the way for the possible Last week, the governprivatisation of some 25 ment signalled its readiness to restructure such assets by In what senior officials announcing the merger of describe as a "significant policy shift", the ruling Telia and Norwegian rival Telenor, with a partial priva-Social Democrats have tisation earmarked for next formed a new state enterprise unit to restructure the

of state-owned companies the electricity generator, the

It has recruited an internaprofit targets, dividend policies and corporate goverlead the enterprise unit. nance of state-owned compawhich will produce recomnies with combined assets of mendations on the restructuring of state companies "We want to create a portlater this year. Dag Detter, a folio where privatisation former director of the British could be an option," said a investment bank BZW, said: "There will be a move The controversial move towards a more value-based could prompt strong opposimanagement strategy. The tion from the party's union questions have never been allies and traditional left-ofasked this way and some

would condemn any having to answer them."

Mr Detter said the unit restructuring that involved job losses or a weakening of would initially seek a uniform management strategy In a move to head-off such for companies in the portfoopposition, the government lio, while also re-examining has restricted the number of their capital structure and companies to be controlled improving the disclosure of by the state enterprise unit information to the market which will operate within and taxpayers.

companies are surprised at

the ministry of industry and "The present government trade - and emphasised that does not have an ideological privatisation would not nectarget to privatise, nor is essarily be the policy goal. there is a fiscal need to do Of the 59 state-owned com- so," he said. "But if there is panies, more than half will an argument from a profesbe outside the new unit's signal point of view that portfolio and remain part of using the capital market is the ministry of finance or the best solution, then it other government depart- could be considered."

Of the companies within Nevertheless, it will the new portfolio, the three assume overall management largest - Telia, Vattenfall responsibility for state hold- and Posten - have a comings in some of Sweden's bined annual turnover of largest companies, including SKr97bn and employ close to Telia, the telecommunica- 100,000 people.



France plans priority list for aid recipients

By Robert Graham in Paris

France is to draw up a list of near autonomous status in countries to be priority recipients of financial aid African colonies. This has and development assistance The move, announced yesterday by Lionel Jospin, the complaints from several Socialist premier, is part of an overhaul of French aid to ensure more efficient and

transparent use of funds. In particular, the left-wing of overseas assistance this coalition government is anxious to clean up corruption and prevent large development flows from propping up undemocratic regimes in francophone countries.

The sensitivities of those included and excluded from of gross domestic product in this priority list, called a aid. Even when the amount cone de solidarite prioritaire, devoted to the overseas are such that the government will first have to clear the matter with President Jacques Chirac. But Mr Jospin said yesterday both Leblinon and Palestine were included in the list.

He also announced the formation of a 60-person coun- eral aid still accounts for cil to monitor the use of FFr27bn. Of this, 80 per cent French aid and analyse poli- is now funded equally by the cies. The council will be foreign and finance miniscomposed of academics, nongovernment organisations, journalists and local associa- is now shifting to the mos

not always convinced of the tries in sub-Saharan Africa use and efficiency of devel- and a further 15 per cent to opment aid," a briefing docu- the Maghreb countries of ment said. "To recover its North Africa. One big credit overseas, co-operation change is to devote more must be more transparent."

handled funds and enjoyed dealing with France's former now been incorporated into -the foreign ministry, despite African leaders. France has pledged to

spend a total of FFr47bn (€7bn, \$8bn) in various types year. Though this has fallen from a high of FFr55bn in 1994, as the need to offset the fall of the CFA African franc zone devaluation has declined. France still contributes almost 0.45 per cent French territories is stripped out, this is still the largest amount of any Group of Eight industrial nation.

France is channelling an increased amount of aid multilaterally, especially via the European Union, but bilat-

The emphasis of aid policy needy countries, with half "French public opinion is the assistance going to counresources to attracting stu-This tightening of aid pro- dents for higher education in cedures follows a shake-up France.

Nordic governments set out on path to privatisation

But ministers do not want a rapid withdrawal from the state for fear of alienating their traditional supporters, writes Tim Burt

try's two largest lenders.

Captain of industry. But the Finnish telecommunications executive, a state employee throughout his of IVO and Neste, two of the career, has become the latest Nordic industrialist charged

with leading his company

mining group LKAB and the from government ownership to privatisation. Earlier this month, Mr Salin was promoted in controversial circumstances to become chief executive of Sonera, the state telecommunications group that has come to the market through a \$1.4bn initial public offer ing. His appointment foltional investment banker to lowed the sacking of Pekka Vennamo, the government's

> ing scandal.
> "It has been surprising and I have had to restore management morale," says Mr Salin. "But the privatisation process will go on."

first choice as Sonera chief

executive, over a share-deal-

The Finnish government's decision to sell off 22.2 per cent of Sonera underlines the readiness of governments across the region to

ulis Salin does not like reduce their grtp on nationing Nordic governments on to describe himself as a alised companies. In the past 18 months, Helther privatisation is inevita-

sinki has pushed through ble and will accelerate. Clearly such bankers have an interest in winning privatisation business. But they country's largest energy groups, and signalled its are right to point to a watershed in Nordic government willingness to cut its holding in Finnair. Sweden has sold attitudes to state enteroff a large tranche of Nordbanken, one of the country's

The shift in attitude was largest banks, as part of its demonstrated last week merger with Finland's Merwhen the Norwegian and Swedish governments announced the merger of ita, and is expected to reduce its stake in defence company Telepor and Telia, their Celsius and paper group AssiDomän. respective state telecommu-The Danish government nications companies.

arguably the furthest down The Swedish government, moreover, has embarked on sold off DKr38bn (\$5.6bn) of a shake-up of state-owned state assets since 1993 and is assets by forming a new expected to maintain the enterprise agency to overhaul the management of momentum by selling its remaining stake in Copensome 25 state companies. hagen airport, among other But a rapid and clean enterprises. Even Norway,

withdrawal of state ownerthe country retaining the ship is not on the cards. strongest affection for state That would be too much for the Social Democrat-led govcontrol, has vowed to reduce its stake in Den norske Bank ernments of Sweden. Finand Christiania, the counland and Denmark to swallow. Such a move would lay Investment bankers advisthem open to accusations of tional shareholder base.

betraying their traditional left-of-centre supporters and union allies.

Nordic assets: preparing for business

In Norway, the Christian Democrat-led coalition is rejuctant to admit to a privatisation agenda. Some ministers will not even use the word privatise for fear of alienating voters.

The governments in all four countries, moreover, are determined that the process should be carefully controlled and begin only with partial disposals. In that way, they can appease leftwing supporters by pointing to a continuing state interest and sometimes control. while also equipping the companies with stock market listings and an interna-

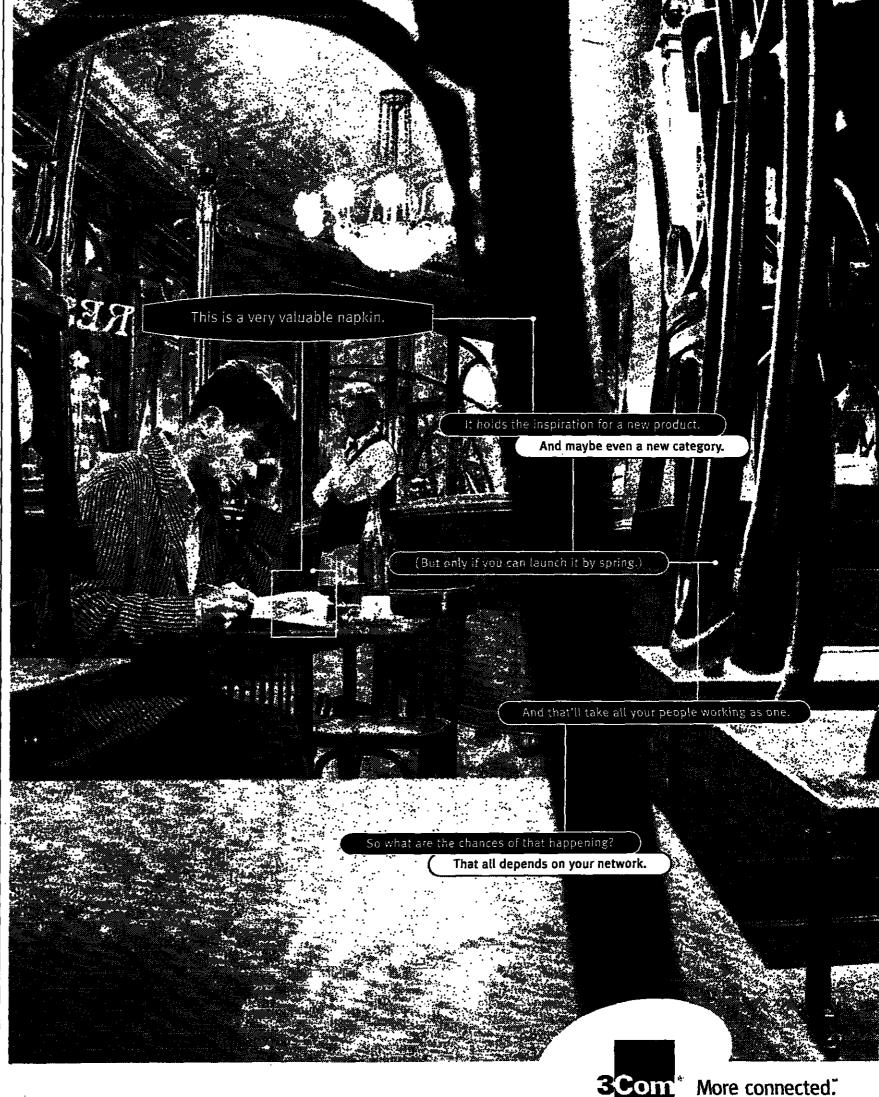
By doing so, the politicians can also look forward to windfall revenues when they decide finally to withdraw from listed companies altogether. The Swedish government, for example, raised SKr13.3bn earlier this month from selling its remaining stake in Pharmacia & Upjohn, the Swedish-US drugs group.

But in future it may not be easy to control that process, particularly for state companies exposed to globalising and intensely competitive industries. The recent wave of cross-border mergers and acquisitions. poses an additional threat for such companies.

do not relinquish control

prises could be left on the shelf as trade buyers look elsewhere for acquisitions. They may also be more diffi cult to sell, either through initial public offerings or trade auctions, if they are petitive. Nordic finance and industry ministers acknowledge that dilemma - at least in private - and recognise that a fresh approach is required. But it is not politically expedient for them to go public with their tactics,

at least not yet. "It is a very sensitive issue," said one government adviser. "We want to be more businesslike about slow and painful process."



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Banks failed to assess hedge fund risks

By George Grahem in London and Tracy Corrigan in New York

International regulators yesterday criticised banks for failings in their risk management processes and called for improvements in their dealings with highly leveraged financial institutions such as hedge

A report by the Basle comsors in response to the nearcollapse of highly leveraged hedge fund Long-Term Capital Management last summer said banks and securities houses had

to do business with the fund and failed to keep up with the fast-changing

The committee said most funds could be dealt with by improved standards at the banks that dealt with them and noted that it would be difficult to regulate highly leveraged institutions mittee of banking supervi- directly, since many of them were based in offshore

McDonough, William chairman of the Basle Committee and president of the New York Federal Reserve compromised their credit Bank said that while it was

another LTCM-type crisis deal less likely".

He added: "The tendency for financial institutions is of the risks raised by these , to learn a lesson and learn it very well. The question is how long will they remember it." The Fed will issue its own guidelines early next

> piled by a working group under the chairmanship of Jan Brockmeijer of the Dutch central bank, deferred to the Basle committee's broader review of its capital adequacy rules. Following the completion

Yesterday's report, com-

aside more capital to cover nism. the risks of derivatives exposures, possible shortfalls in the value of collateral for repo transactions, or dealings with hedge funds.

US and German regulators have proposed various forms of clearing house or credit register to collect information about the borrowings of highly leveraged institutions, which might make it harder to build up risks as large as LTCM's, which were seen as a threat to the financial system.

But other European regu-

standards in their eagerness impossible to rule out of that review, probably at lators are privately dismisthe end of March, banks sive of the cost and effective-"we want to make it a great could be required to set ness of this sort of mecha-

> The report explores where banks went wrong in their dealings with LTCM. Banks relied too much on the collateral, in the form of government securities, which they collected to cover their exposure to LTCM, and failed to carry out proper analysis of the fund's own creditworthiness. This came to grief when the threatened liquidation of LTCM's massive investment portfolio sent financial markets into a spin, slashing the value of

report urges: aged institutions.

■ Greater efforts to develop a good measure of potential future exposures if the market value of collateral should ■ Meaningful credit limits

leveraged institution. ■ Tougher terms

The Basle Committee's ■ Sound credit standards which address the specific risks posed by highly lever-

that aggregate a bank's overall exposure to a particular counterparties that do not disclose enough information. including a requirement to

US aircraft operating over

Iraq were criticised at a Sen-

ate hearing yesterday for not

allowing attacks on Iraqi air

bases. But US officials and

military experts said that

further intensifying attacks

on Iraq's air defence systems

would be a large scale opera-

tion that would carry signifi-

Expanded rules of engage-

craft over Iraq were

ing a shift in Baghdad's tac-

part of the Iraci air defence

rules, pilots would attack

the specific radar or aircraft

which was challenging them.

General Anthony Zinni.

central command, responsi-

ble for operations in

southern Iraq, told the com-

northern and southern "no-

- after the acronym for sur-

"The Iraqi aircraft come at

very shallow, into the no-fly

zone and turn and normally

dip into a missile-engage-

potential missile shot. They

are very careful not to come

too far or too close," he said.

Republican from Arizona.

suggested to a hearing of the

Senate Armed Services Com-

mittee, that Iraqi jets were

free to put US pilots in dan-

ger and retreat with impu-

nity. "We have Iraqi aircraft,

they're taking off, challeng-

some point being able to

shoot down our airplanes,

face to air missiles.

cant risks.

post initial margin in excess of the current exposure.

Albright endorses **Abdullah**

Madeleine Albright, US for talks with Crown Prince heir by King Hussein, who on Tuesday returned to the US for cancer treatment, writes Judy Dempsey in

The visit, arranged at short notice, was an attempt by the US to demonstrate its support for Jordan, which faces a serious economic crisis and difficult relations with its neighbours, Iraq and

Mrs Albright, who had flown in frm Saudi Arabia, said she wanted to visit the Crown Prince "in order to

She added Washington was seeking ways to support the economy and would try to speed up the disbursement of \$100m in special economic aid promised by the US after Jordan's support for the Wve peace accord signed by Israel and Palestinians

secretary of state, yesterday made a brief stop in Jordan Abdullah, chosen as the new

make very clear that the US stands with Jordan".

last October. Jordan aiready receives from the US \$225m

> going back and landing. And we do not retaliate against places from which they But General Zinni said that US aircraft did "not defence suppression cam-

want to be baited or lured into what's known as the Super MEZ, or the super more than 500 surface to air missile engagement zones around Baghdad and Tikrit." paign... on a scale of a Desert in Baghdad and perhaps 255 Fox or greater." said Gen Zinni, referring to last month's 70-hour bombard- clear yesterday, would in the ment of Iraq by US and Brit-

US general defends air policy in Iraq Amatzia Baram, Visiting professor at Georgetown University, said the Iraqi New rules of engagement for tactics were aimed in part at securing a "trophy" such as a downed US pilot who chuld be displayed on television But at another level, Saddam

who "are very sensitive to issues of honour", he said. Iraq's rolling over and playing dead" during Desert, a Fox was damaging to the Iraqi leader's prestige. There's ment for US and British airwere no indications of an existing threat to the regime. announced this week followsaid Mr Baram, but the iraqu leader had been left weaker tics last month, aimed at than at any time since 1995 stepping up challenges to allied pilots. The rules allow when his sons-in-law allied pilots to strike at any defected and when he had to overcome a serious coup

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state and the

Hussein, the Iraqi leader.

was trying to display defi-

ance to people around him

system if they are chal-lenged. Under the previous Anthony Cordesman, a senior fellow at the Centre from Strategic and International Studies, said that in the past, the Iraqi leader had commander in chief of US backed down quickly when allied forces had responded vigorously to his provocations. This time he appeared mittee of Iraqi tactics to lure to be challenging allied airallied pilots patrolling the craft in a more systematic way. That could well force a fly" zones in Iraq into what further change in which the lawe been called sambushes US and Britain attempted 14 suppress the tradi

defence system, he said. However, he said that popus and penetrate, usually ular perceptions of what is going on in a low level conflict are as important as actual battlefield results. ment zone. That's a tactic to And the expanded rules of attempt to lure us in for a engagement - which he noted have been in place for some time and only announced this week - did Senator John McCain, increase the likelihood of errant missiles missing their targets.

This in turn allowed the Iraqis the sort of propaganda victory it gained this week when western reporters visited a residential neighbourhood in Basra, apparently ing our aircraft, possibly at hit in error by a US missile. He said the US and Britain should take care before they further expanded the engagement to further dam age the Iraqi air defence systo become involved in an air

Irao's system included missile firing units, more than 2,000 anti-aircraft artil-Any attempt to attack lery installations, five sector these aircraft would have to operating centres, a national involve "a deliberate cam- air defence operating centre operating combat aircraft. The US goal, officials made short and medium term be to continue to contain Iraq.

paign," he said.

Ugandan bank chief warns on monetary plans

By Mark Turner in London

Emmanuel Lule, deputy governor of Uganda's central bank, has warned that regional leaders must provide "more decisive and timely political approval of recommended policy changes", if monetary criterla to underpin the proposed East African Community

(EAC) are to be effective. Without resolve at the level of political leadership, implementation of the otherwise good monetary policy nendations would be stifled or delayed, to the detriment of the desired changes and impact." he

The community is scheduled to be launched in July. The three-nation grouping of Kenya, Tanzania and Uganda intends to attain stable single-digit inflation by the year 2.000, reduce budget cent of gross domestic product, and build foreign exchange reserves to a level equal to six months'

Speaking at a Financial Times seminar in London. Mr Lule also raised the possibility of closer co-operation with the Bretton Woods institutions, following the shake-up of banks in Kenya "which had revealed that the three countries are not immune to contagion prob-

to consider a joint policy framework paper in negotiations with the IMF and

World Bank." he added. His statement, made with the blessing of all three East African central banks, came one week after the leaders of Kenya. Tanzania and political will."

Uganda confirmed in Arusha. Tanzania, that they would sign the EAC's establishing treaty in July, and eliminate all internal tariffs except on an "agreed list of products", subject to a maximum 10 per cent surcharge. The list would aim to protect infant industries, and

deal with public revenue

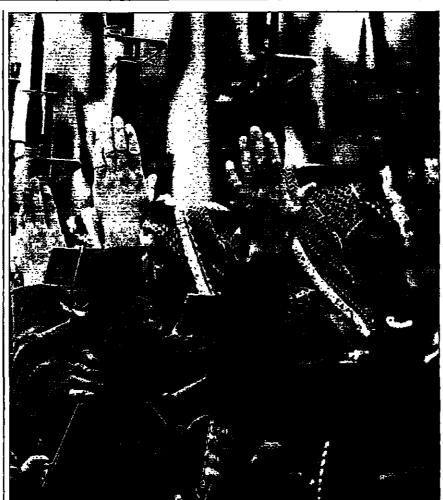
shortfalls. The revived EAC will comprise a regional court, assembly, and customs union. Leaders aim to establish a monetary union in the medium term, and eventually a full-blown political federation: a concept which had been given new impetus by Daniel arap Moi, president of Kenya, at the Arusha

Nevertheless, a number of concerns still surround the project, which could suffer from a trade imbalance strongly in favour of Kenya deficits to less than 5 per and differing levels of national development.

International investors and donor governments have raised questions about East Africa's ability to implement the community's considerable agenda within the proposed time-frame, although lauding the principle of regional integration.

Responding at a press conference yesterday, Gerald Ssendaula, Uganda's finance minister said all three countries were seriously pursuing convergence strategies, but the need for wide consultations meant the process would take time.

"All of us are moving in the direction of harmonising our laws as far as monetary said. "If there is any delay, that is not to say there is no



Eleven hurt by bomb explosion near Cape Town police station

Eleven people were hurt when a bomb planted in a Cape Town's main police station yesterday, in what appears to be the latest salvo a battle between Islamic fundamentalists and the South African authorities. Two weeks ago, a detec-

tive investigating People Against Gangsterism and Drugs, a militant Moslem group linked to violent attacks in the Cape Town plastic bin exploded outside area, was assassinated in his car. The killing was thought be in revenge for the death of a demonstrator killed by police during a protest against the visit to Cape Town of Tony Blair, the British prime minister.

In the past six months. two bombs have exploded at the Waterfront shopping and entertainment complex, killing two and injuring 30. The government this week

launched Operation Good Hope, sending in extra police and troops in an attempt to control the violence. "This is obviously not a good start," said Gannief Daniels, commander of the operation.

"These people are showing us that they don't care about what we are trying to do." Marthinus van Schalkwyk, leader of the opposition New National Party, called the bomb "a direct challenge to law enforcement". He said: "The arrogance of the people doing these things is immeasurable. These people are trying to start people panick-

WORLD ECONOMIC FORUM

Economists find plenty to worry about robust consumer demand can die from a



By Robert Chote and Guy de onovières in Dayos

Mother nature vied with the dismal science vesterday to cast gloom over this Swiss mountainside resort, as international policymakers and business people gathered to ponder the key trends in the world economy in the year ahead.

While Dayos laboured under its heaviest snowfall for years, pundits at the World Economic Forum sought something positive to

Like the journey to Davos Hawley" - the US tariff bill itself, that proved an uphill struggle. Warnings of further currency instability and stock market volatility alter-

the risks of protectionism. One of the grimmest analvses came from Kenneth Courtis, Deutsche Bank's chief economist in Asia. He saw massive worldwide excess capacity in almost every sector of traded goods, dangerously big exposure by banks in industrialised countries to emerging market

creditors and weak political

nated with concern about

fragile economic growth and

The one hope was that national authorities would maintain economic demand by continuing to cut interest rates and, increasingly, taxes. But if they failed to do say about the outlook for so, he said, "then it seems

which triggered the 1930s

The trade tensions already emerging, notably between the US, Europe and Japan, are expected to be among the main issues on this weekend's agenda. Charlene Barshefsky and

Sir Leon Brittan, the top US and European Union trade officials, who are embroiled in a bitter dispute over bananas, are due to have their first face-to-face meeting for several weeks Also in Davos will be

Eisuke Sakakibara, Japan's "Mr Yen", who this week caused a diplomatic incident by refusing to meet Richard Fisher, Ms Barshefsky's deputy, in Tokyo. The global impact of

Japan's continuing domestic global prosperity after we are headed for the most plight will also be in the months of turmoil in emerg- vicious international trade spotlight. Rudi Dornbusch environment since Smoot- the voluble US economist exchange rate by quickly the gloom was the US, where

Davos

Participants in the World Economic Forum annual meeting can enjoy a panoramic view of the mountains around Davos on a short (tethered) ride in the FT hot air balloon. Weather comitting, the balloon will be

flying from the park below the Hotel Belvedere on Saturday and Monday from 10:30 to 14:00 and from 17:00 to 19:30 and all day Sunday. and commentator, said

Japan's soaring public sector borrowing would in a few years condemn its government debt to "junk-bond sta-

There was also plenty of

unsolicited advice for Brazil, the first emerging market casualty of 1999. Domingo Cavallo. Argentina's former finance minister, joined Mr Dornbusch in

urging Brazil to stabilise its



establishing a currency

Although the euro had made a good start, European economies still faced dangers. One of the biggest, according to Daniel Gros. head of the Brussels Centre for European Policy Studies, was that unrealistic wage demands in Germany could force a rise in interest rates in the euro zone. The one shining light amid

tionship with economic real-There was less consensus, however, about how long

that could continue. Mr Dornbusch believed the stock market would forge ahead until a rise in commodity prices pushed up US inflation and interest rates. good chance of a soft economic landing.

continued to pull the rest of

It was widely agreed that this depended vitally on

Wall Street, where share

prices were seen by some to

have only a tenuous rela-

the world along.

Other speakers, however. US share price levels were much more vulnerable to unforeseen shocks - and that policy makers would be unable to prevent a sharp decline damaging the real

broken heart Americans with no health insurance. Forget the diets, forget the exercise, the real heart dis-

Yes, you really

ish forces

"If you are lonely or depressed you are three to reverse heart disease" in five times more likely to die early," says Dean Ornish, founder of the preventive But even then there was a medicine research institute in Sausalito, California, and best-seller about "emotional believed that stratospheric and spiritual" heart disease. He is not aware of any other factor in medicine not diet, not smoking, not drugs, not surgery - that

has a greater impact on the incidence of illness than the "healing power of love and intimacy". Dr Ornish's pre-scription: "If a new drug had the same impact, virtually every doctor in the country would be recommending it." Heart disease kills more

people than all other diseases combined. Dr Ornish, recognised by Life magazine as one of the 50 most influential members of his genertheir European counterparts ation, has spent most of his career carrying out research into preventing and reversing heart disease which cost

He reckons that the operations alone in the US is Eradicating heart disease would not only save a huge amount of money but would also dramatically improve the quality of life of the 47m

There is no mystery about the cause of heart disease, ease killer is . . . lack of according to Dr Ornish, who addressed a seminar entitled "Can life-style changes

Davos yesterday. The contrast between the high rates of disease in advanced countries, such as the US and UK, and the low author of Love & Survival a rates in China reflects the low level of fat in east Asian diets. The average American consumes almost 40 per cent

of calories as fat. Dr Ornish, author of stress, not genetics, not numerous books, such as "Eat More, Weigh Less," recommends his disciples to observe a diet of less than 10 per cent fat and almost no cholesterol. "We could eliminate 95 per cent of heart disease, if we put into practice what we know," says Dr

Throw in a few food supplements, such as two or three grammes of fish oil a day, give up smoking, and your risk of heart disease plummets. Walking 20 to 30 minutes a day alone, can lower the chances of premature death by 50 per cent, says Dr Ornish, Taking the stairs, or parking the car a little further from the office.

could put years on your life. Dr Ornish's research has shown that progress of even the most severe coronary heart disease can often be reversed by following his diet and changing one's life

Aliens from cyberspace give CEOs the shivers

By Guy de Jonquières in Davos

an increasingly vesterday. unpredictable world, which fear keeps top international night? A global recession? A stock market crash? Another bad bout of currency jitters?

Forget it. The nightmare on the internet to invade stalking executive suites from Singapore to San Francisco is that of being put out of business by someone

you've scarcely heard of. That, at least, is what many chief executive officers (CEOs) from large companies around the world told accountants and manage- or a well-developed instinct to provide at least 20 per

ment consultants PwC, in a for self-preservation. survey released in Davos

respondents expected to face about how to survive at the businessmen awake at growing challenges in the top, he and his like are paid next few years from "nontraditional" competitors future. "As a CEO, you can't using electronic commerce go around not being optimis-

> established markets. By contrast, more than 80 declared themselves optimis- of competition from cybertic about growth prospects for the next three years. they aimed to expand their However, it was debatable business on the internet, whether that robust confidence showed prescience -

Schiro, who, as CEO of PwC, No fewer than half the 800 must know a thing or two to take an upbeat view of the tic, or you won't keep your job for very long," he said.

navigating the world wide But CEOs are not sitting per cent of corporate leaders back and taking the threat America. space lightly. Many said chiefly to serve customers better, and a fifth expected it

According to James nues in the next five years. They are also increasingly avid "surfers". Almost a and two thirds said they had third rated their internet had some experience of it. proficiency as excellent, and a quarter said they had spent more than 10 days during the preceding four weeks

> all, apparently, are in Latin There were signs of life even in Europe, which was lambasted by Silicon Valley leaders at last year's Davos meeting for lagging in the the highest proportion of answer. PwC suggested. respondents rating their might be a case of optimism

web. The keenest users of

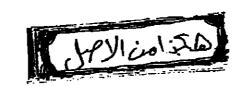
cent their companies' reve- European CEOs said for the first time that they had logged on to the internet. But the survey found that attitudes varied widely across Europe, sometimes in perplexing ways.

British chief executives were exceptionally positive about the potential for earning revenues from e-commerce, and almost three quarters expected it fundamentally to reshape their businesses. Yet the UK had

On the other hand, German top managers emerged as active surfers on the web. But they were noticeably more sceptical than any of about whether it would generate new business for their companies.

But niggling doubts about the US \$55bn in 1994. CEOs' truthfulness were raised by the astonishing 94 annual cost of heart bypass per cent who insisted their companies were "totally" or running at \$20bn a year. "mostly" prepared to deal with the Y2K problem. That Last year, more than half of internet skills as poor - or triumphing over reality.

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CHANGE OF STREET Mir to the

euro

Yes, the euro has successfully arrived. SG welcomes its introduction as the world's newest currency—as well as the countless opportunities it brings.

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Yes, you really a can die iroma broken heart

ALMINE S

Beijing plans fresh drive on technology

China is embarking on a concerted new effort to climb the technology ladder by commercialising the work of research laboratories and companies easier access to stock market listings, it

"The rate of conversion of technology (into products) has been very low in the past," said Deng Nan, viceminister of science and tech-

As part of the technology initiative 242 state laboratories would gradually be allowed to "enter the martheir research, said Ms Deng, the daughter of Deng Xiaoping, the Chinese leader who

zhen, a relatively high-tech boom town bordering Hong Kong, said that the China Securities Regulatory Commission (CSRC), China's stock market watchdog, was preparing to ease listing requirements for high-tech companies and to speed up their approval.

One listing rule which may be eased was a stipulation that companies come to the market with a three-year profit track record. "This could be lowered to one or whose city has one of mainland China's two stock mar-

He said that regulations on the size of companies planning to list would also be eased, to allow smaller high-tech start ups a chance There was also a possibility that a "second board" dedicated to high-technology stocks would be created on the Shenzhen stock

Chinese officials have in the past noted the need to foster high-technology cominertia and the fact that the or an accident."

has retained priority for stock market listings and in the allocation of bank credit.

This attitude may now be changing. Jiang Zemin, the president, and Zhu Rongii. the premier, both made speeches at the start of this year calling for "technology to build the country".

Officials have begun to speak with a new confidence. Mr Li. asked when the new rules on private technology companies' listings would be promulgated, said: "These changes are all the CSRC's responsibility, but if it was up to me, I would do them this after-

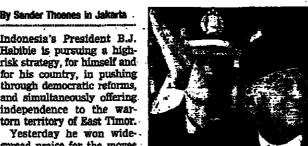
Most private high technology companies still complain bitterly that China's statebanks do not not lend to them, authorities do not approve their plans to list and venture capital is

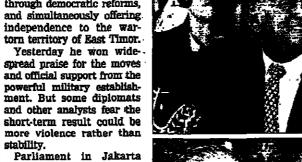
Mr Li said that two venture capital companies, one domestic and one in Hong Kong with US\$50m-US\$60m are to be set up shortly to help finance mainland startups, many of which may spin off from state laborato-

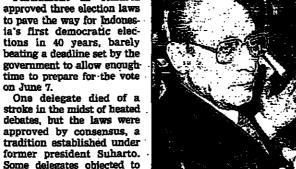
 An explosion believed to have been caused by a home-made nail bomb ripped through a farmers' market in central China this week, killing nine and injuring more than 65, hospital and police sources said yesterday, Reuter reports from Beijing.

The bombing in rural Hunan province was at least the fourth in China this month, underscoring official fears of social disorder in a year of sensitive political anniversaries and growing unemployment.

A local police official said the blast came just a few steps from offices housing the Yizhang county government on Monday. But he panies, but their efforts have said: "We don't yet know if fallen foul of government it was a man-made explosion







tion rules favoured the dominant Golkar party. Politicians agreed that Indonesia's new election laws, mixing proportional voting with an obligation for parties to field regional candidates, were a vast improvement on the ceremonial votes under Mr Subarto, and a boost to Mr Habibie's

claims to being a reformer. The new parliament, along with 200 other delegates, is to appoint a new president in early November. Nurcholish Madjid, a Moslem critic could grant independence to spokesman said. But we are of the government, said Mr East Timor if an earlier offer worried about civil war

the 38 seats guaranteed for

the military, down-from 75,

or complained the new elec-



Clockwise from top left: President Habible; soldiers stand by in Jekartz; protesting students in Jogiekarts, and Ali Atales, foreign minister

JAKARTA REFORMS INDEPENDENCE FOR EAST. TIMOR AND PLANS FOR FIRST DEMOCRATIC ELECTIONS IN 40 YEARS WIN MIXTURE OF PRAISE AND WARNINGS

Habibie plays high-risk hand in Indonesia

cratic leanings but had grown to support an early vote because he thought it would favour his chances of being re-elected, particularly if no one emerged a clear winner from the opposition. "If there is a deadlock, Habibie is the compromise candidate." Mr Madiid said. "It's safer for the govern-

ment to have a fair election." Support poured in for Mr Habibie's surprise suggestion the day before, that the "The military is ready to newly elected legislature leave East Timor," East Timor if an earlier offer worried about civil war Indonesia.

"The new Indonesian policy appears explicitly to give the people of East Timor a Habibie's remarks would the military's most difficult direct role in deciding East only fuel clashes between battleground for the past 20 Timor's future," said a US State Department spokesman. "As such, it is a posttive development."

A spokesman for Indonesia's military called the policy change "wise and positive", easing concern among diplomats that it could rally the military against Mr Habibie. the

order after we have left?" Diplomats, too, feared Mr groups favouring and opposing independence. The

clashes have left at least five

dead in recent days and ical and military attention. caused thousands to flee. On the ground, it will occupy East Timor despite make things worse," a diplo- the high military and politimat said. "The independence movement is getting overexcited. I'm not sure what other parts of Indonesia the army's game is there, but they've armed proxies who favour integration with

. Few now go along with that theory. "I don't believe "You can't just pull out. East Timor would be like a

Anwar, Mr Habible's foreign policy adviser. "Outside East Timor, the forging of our national identity was real. Even I would go to the front for irian Jaya."

Ms Anwar said that Mr Habibie, fed up with continued international condemnation of the 1976 annexation, had been prepared to let go of East Timor all along, but had rejected Timorese calls for a five-year transition, followed by a referendum.

Why do we have to hang on to East Timor if it is hurling us so much and the Timorese feel so unhappy about it?" she said. "We continue to believe that special autonomy is the best solution, but that has to be tin the final solution. We don't want?)
this hanging around for another five years.

Ms Anwar said the legislature could simply annul the 1976 annexation if autonomy were rejected. "East Timor would be returned to Portugal and the United Nations," she said. "Then it's up to

East Timorese activists yesterday continued to call for a five-year transitional government, shared by Indonesia, Portugal and Timorese leaders, followed by a referendum in the territory. Diplomats said a transition was needed to pre-empt

violence. Democratic elections are a notion most Indonesians support in theory but learned campaign violence. Riots, have shaken the country in recent months, fuelled by economic crisis, a breakdown in law and order, and growing religious tension.

Canberra welcomes Jakarta's policy shift on East Timor

Canberra vesterday welcomed Jakarta's policy shift on East Timor, but tempered its response with calls for more details.

At the same time, Australian oil and gas companies

arta on production in the Timor Sea said they were monitoring developments. Alexander Downer, Australian foreign minister, said

details about Indonesia's policy shift that needed clarifying were the extent to which that have profit-sharing or Jakarta would consult the

joint venture pacts with Jak- East Timorese on whether encouraging that." they could "live with the sort of autonomy package they're proposing" But he described Jakarta's

initial announcement as a "very significant step...You Indonesia has moved, and we've obviously been berra shifted its policy when icy shift would have any ates oil fields in the region.

Australia was the only

recognise Indonesia's annexation of East Timor in 1976. berra would prefer an auton-Since last year, Australia omous East Timor to remain had been lobbying Jakarta to part of Indonesia. soften its line.

Mr Downer announced that short-term impact on pro-Australia would back self-de-duction in the Timor Sea western government to termination for East Timor. zone of co-operation. He stressed then that Can-

It'd be a bloodbath."

East Timor has been by far

years, though rebellions in

frian Jaya and other islands

have required constant polit-

cal cost at home and abroad

had been an assumption that

would otherwise be inspired

to break away.

The logic for continuing to

Australian oil and gas Earlier this month, Can- companies doubted the pol-

new legal arrangements put governments to sort out," said a spokesman for Broken Hill Proprietary, which oper-

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FINANCIAL TIMES

premier appeases donors

By Ted Bardacke in Bangkok

minister, took two important steps towards appeasing international donors vesterday when he stepped down as armed forces commander and cancelled 12 major logging concessions.

The military dominance of

life in Cambodia and the plunder of the country's forests are intertwined, as many military units directly benefit from logging activity and offer protection to both legal and illegal loggers.

Next month Cambodia's aid donors, whose contribu-tions make up about half of the government's annual budget, meet in Tokyo to consider a government request for \$1.3bn in assistance over the next three years. Topping the list of donor concerns are reining in the pace of logging activity, which at current levels will wipe out Cambodia's the next decade, and demohi-lising a portion of the country's sprawling and powerful

Mr Hun Sen said he was handing over control of the army to Gen Ke Kim Yan, a Cambodian People's party, because the collapse of the Khmer Rouge meant the army now had a smaller role

"It is time to withdraw from being a commander in chief to fight against the return of the Pol Pot genocidal regime...to become a commander in chief to lead a fight against poverty," the prime minister said. Mr Hun Sen said recently

he planned to cut troop strength by 55,000 soldiers and 24,000 military policemen out of a total of 140,000 military men. The actual soldiers is likely to be less because some of those weeded out will be "ghost soldiers" - dead or non-existent men whose pay is pocketed by corrupt officers.

As part of the effort to clean up the military, Mr Hun Sen said he would launch a "total operation against illegal logging".

HK fraud decision

By Louise Lucas in Hong Kong

justice has agreed to meet legislators next week to explain the decision not to prosecute Sally Aw, a prominent publisher and member of a Chinese political advisory committee, in a fraud case involving her company. Elsie Leung, secretary for justice, also hinted she

might revisit the case, which ended in court last week. She said yesterday that further investigations had been carried out by the Independent Commission Against Corruption, the territory's anti-graft body, and its report would be ready by early next week. "If further

evidence is available, I will

look at the matter again.

Such circumstances would

clearly affect the terms of the public statement that I intend to make." Three members of Miss Aw's staff were jailed last which involved printing, then dumping copies of the English-language Hong Kong Standard to inflate circula-

tion figures. Miss Aw was named by Hong Kong's anti-corruption not prosecuted, a decision that sparked concerns over the territory's commitment to maintain a rule of law applicable to everyone. Leg-islators and lawyers called on Miss Leung to justify the action, claiming it suggested that some people might be

above the law. Miss Leung offered no explanation, pleading poten-tial prejudice of the trial. Margaret Ng, 2 member of the Legislative Council, said: The question in every-

body's mind is: Why are certain people prosecuted and not others?" Among the disclosures from outside the courtroom

were transcripts of an interview with the independent Commission Against Corruption, shown to local media, in which Miss Aw was said to have approved the plan to inflate circulation figures. although adding that the method for doing so was not

Cambodia Secretary India to probe to defend murdor of missionary

india's government, led by the Bharatiya Janata party, yesterday promised to launch a judicial inquiry into the killing last weekend of an Australian Christian missionary and his two cut in subsidies on basic young sons.
The killings were at first

blamed by local police on a militant Hindu organisation loosely associated with the BJP. But a team of ministers sent to the village in Orissa, eastern India, where the killings took place, claimed yesterday the deaths of Graham Staines and his sons aged seven and nine were part of a "conspiracy" to bring down the government.

The attack, which follows a separate spate of arson attacks in recent weeks against Christian missions and churches in Gujarat, west India, prompted widespread outrage in the press among opposition parties and from the BJP's coalition partners - some of which have threatened to pull out of the government unless attacks against Christians cease and culprits in previous attacks are punished

Critics have accused the BJP of failing to rein in militant organisations which form part of the "Sangh Parivar", or "family" of Hindu nationalist organisations in India, and of failing to respond to the incidents.

A supreme court judge will head the inquiry into last Friday's killing, in which a mob reportedly 100strong, set ablaze the jeep in which Mr Staines and his sons were sleeping, parked outside a predominantly Christian village in northeastern Orissa.

Local police have arrested 53 people since the attack Senior police officers claimed after the incident it appeared to bave been organised by the Bajrang Dal, a militant Hindu group loosely affiliated with the BJP and other Hindu nationalist organisations.

BJP leaders have denied the involvement of the Hindu groups. The Bairang equate response and a tacit endorsement.

India cuts basic

food subsidies By Mark Nicholson in New Delhi

> India yesterday announced a foods provided under a ration system for the poor, a surprise move designed to help trim the government's

high fiscal deficit. Prices of wheat, rice and Distribution System were raised by up to 30 per cent with immediate effect. The government also raised bulk prices of urea, a heavily used farm input, by 11 per cent to Rs4,000 (\$94) a

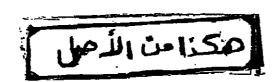
Officials said the combined moves would save the exchequer up to Rs50bn (\$1.1bn) over a year.

sation which has ties with the BJP, have also denied any involvement.

George Fernandes, defence minister and leader of a leftwing party in the BJP-led coalition, said after visiting the site of the crime that her and two other ministers? found no evidence of any echoing the views of Hindu rightwingers that it appeared part of a conspiracy to topple the 10-month-old BJP-led government.

"Someone had decided to see that this man is killed and then the incident is blown up so that everyone from Atal Behari Vaipayee [prime minister] to the lowest person in the government is crucified," he said.

VHP and Bajrang Dal leaders have justified attacks against Christian missionaries as a local response to "forced" conversions to Christianity among poor and low-caste Hindus. Mr Valpayee, after visiting the scene of attacks in Gujarat earlier this month, said the incidents should prompt at "national debate" on conversions - a remark denounced Bajrang Dal or any other by critics as at least an inadequate response and at worst



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Brazil rate rise fails to halt forex flight

Foreign currency continued pouring out off Brazil vesterday, in spite of a sharp three-point rise in interest the Real down on currency markets for the 12th consecutive business day.

underlined fears of a deterioration in the real economy, threatening support for President Fernando Henrique Cardoso's centre-right coali-

At mid session yesterday,

Foreign economists fear

R\$1.96 per US dollar debt crisis. The IBGE said

The central bank began

White House

responded cautiously to Mr

Greenspan's latest criticism.

"We've always known he

favours privatisation of

Social Security," said an offi-

cial. "The most important

thing is that he supports our

basic plan, which is to use

down debt through social

The rift between the Fed

chairman and the adminis-

tration is highly unusual

powerful quarter may under-

However, Mr Greenspan's

the budget surpluses to pay

exporters, the main source of banks in the private and where we are going because hard currency, "are waiting public sectors are buying the adjustments process here currency will fall before they service debts in dollars. begin selling. On Wednesday IDEA, a consultancy, said alone, US\$287.5m flowed out Brazilian borrowers had month Brazil has lost ments due on Thursday

Rodrigo Fiaes of Rio de are no longer pressuring the may be short lived: "We will Janeiro's Banco loatu, said Real Instead, companies and know in two or three weeks dollars to pay for imports or some US\$320m in debt payalone. The central bank said borrowers must make service payments of US\$3bn in February and US\$4bn in

NEWS DIGEST

IMPEACHMENT HEARING

Senate seeks compromise end to Clinton trial

The US Senate yesterday struggled to map out a plan to move towards a quick end to President Bill Clinton's Impeachment trial that would accommodate concerns from both the White House and Republican trial managers. After the Senate's decision to proceed with the trial and to call three witnesses, senators yesterday postponed the start of trial proceedings as they huddled behind closed doors to work out a compromise that would allow them to

move forward in a bipartisan manner. White House lawyers are divided over whether they should extend the trial by making an aggressive defence and calling additional witnesses or whether to acquiesce to the Senate's desire to move rapidly to depositions and a final vote. Joe Lockhart, Mr Clinton's spokesman, said the president still wanted a quick resolution but warned that if proceedings were dragged out it would be the

PETROCHEMICALS PRIVATISATION

Mexican sell-off in doubt

Mexico's plan to liberalise its state-owned petrochemicals sector has suffered a new setback, after one of only two potential bidders for the first plant on the auction block

pulled out for lack of interest. The decision was the latest sign of apathy in what had once been billed as a landmark attempt to part privatise one of Mexico's most jealously protected sectors. Government officials admit that after years of setbacks, the battle to bring private partners into the cash-strapped state pet-

rochemical sector could be lost. This week Idesa, a private Mexican petrochemicals com pany, told the energy ministry it was unable to pull together a consortium with enough capital to meet the \$750m threshold required for investing in the Morelos complex in south-east Mexico. Henry Tricks, Mexico City

COLOMBIAN EARTHQUAKE

Looting crackdown ordered

Colombia's president yesterday ordered a military crackdown in Armenia, the city worst hit by Monday's earthquake, after a day of looting and noting. President Andrés Pastrana said 2,000 soldiers and 700

armed looters still roaming the streets. He flew into Armenia on Wednesday vowing to impose order and speed relief to 250,000 people left homeless by the quake in which at least 883 people died.

across five provinces in Colombia's central coffee-region. Reuters, Armenia

Cuba comes late to war against drugs

tion government.

per cent of its value since

kets could prolong and the currency had lost 2.6 per highest since 1983, during anti-inflation strategy.

although it later recovered unemployment could reach slightly. The Real has lost 38 9.4 per cent in January. This, coupled with high interest the government was forced rates and rising business rates on Wednesday, forcing to abandon its controlled and personal bankruptcies exchange rate on January may undercut political support for Mr Cardoso.

The currency's fall further disarray on financial mar-paying annual interest rates of 35.5 per cent for short deepen an already severe term funds on the overnight recession and reignite infla- money market yesterday, tion. The government's IBGE but even so was unable to statistics institute said yes- bolster the currency which terday unemployment last has for four years been the year rose to 7.6 per cent, the cornerstone of Mr Cardoso's

The

to see how much further the of the country. So far this US\$8bn in reserves reducing central bank reserves to about US\$36bn. However, the central bank has not used its reserves to defend the currency since it stopped supported the Real on Janu-

March. the crisis. They say Brasilia Luiz Fernando Lopes, chief cannot raise interest rates economist at \$ão Paulo's much more without danger-Banco Patrimonio, said this ously expanding its domestic Traders say speculators current phase of uncertainty

cal advances through his- the lower end of its histori

2000.

Fed chairman steps up his | Fall in equity prices seen criticism of Clinton budget as an 'above-average risk'

By Richard Adams in London

A leading hedge fund analyst is warning of an "above-average risk" of a fall in US equity prices, saying corrent levels are not supported by "new paradigm" claims or low inflation. Sushil Wadhwani

research director at the Tudor Investment Corporation, writing in a personal capacity for the UK's National Institute Economic and criticism from such a Review* - argues that the high prices and low equity risk premiums on Wall Street are not backed by so-called paradiem shifts in the economy such as technological advances or by

sustained low interest rates. "Although computers and the internet open up many new opportunities, the same

tory," Mr Wadhwani says in cal range, with his "best the article to be published today. "Is it really the case the steam engine, the telephone or the aeroplane were less than that implied by the computer?"

In spite of the introduction of computers, output per worker has risen by only around 1 per cent a year over the last 10 years. And the short service lives of contribution to overall productivity growth must be modest

"The key point is that computers make up only a small fraction of US capital stock," he says. Mr Wadhwani's research

suggests that the equity risk

guess" putting the premium that the productivity effects of stock buy-backs improvements implied by and low interest rates. A risk premium takes account of the chance of a loss on the asset in the future. But investors in the US

is similar to that in other

[emerging market crises] but

the process of [recovery] will

be faster here." He expects a

sharp recession this year to

be followed by a rebound in

analysts question the gov-

ernment's ability to manage

However, international

are unprepared for the low rates of return implied by current prices. Most US pension funds assume equity returns of 8-10 per cent. which, with a dividend yield computers implies that their of less than 2 per cent and nominal economic growth unlikely to exceed 5 per cent. is "unsustainably high", the

An end to the equity bull market also poses a risk to A correction in the market

policeman would be brought in to stamp out gangs of

The earthquake, measuring 6.0 on the Richter scale, created a disaster zone that covered 20 towns and villages

On the web today

Microsoft switches defence stance

Only Chile can judge Pinochet, court told http://www.ft.com/americas

Greenspan, the chairman of the Federal Reserve, yesterday stepped up his attack on the budget proposals President Bill Clinton unveiled last week, repeating his warning against investing public funds in the stock market and questioning the credibility of White House budget

surplus forecasts. Though the Fed chairman carefully welcomed the main principle of Mr Clinton's decisively to a private sysbudget - using the bulk of expected budget surpluses over the next 15 years to meet the demands of Social Security, the state pension scheme – he warned that, given the unreliability week, but the Fed chairman congressional Republicans, of economic forecasts, has long favoured more Mr Clinton's proposal might comprehensive private cov-

and Richard Waters in New York

tions Commission yesterday

US cable television compa-

stabilise the system's

"We cannot confidently project large surpluses in our unified budget over the next 15 years, given the inherent uncertainties of budget forecasting," he told the Senate budget committee. "How can we ignore the fact that virtually all forecasts of the budget balance have been wide of the mark in recent years?" Instead, he indicated, it

would be preferable to shift tem of pension provision. Mr Clinton went some way towards encouraging private pensions when he presented plans in his State of the Union address last

can homes.

limit the ways companies over its networks to competi-

such as America Online tors, it would dent the value

mine political support for parts of the White House warnings about budget forecasts were also directed at who are eager to use part of

the projected monies for tax Reprieve for cable TV on internet providers

By Mark Suzman in Washington internet services to Ameriexecutives have warned. The decision also appeared However, the federal The Federal Communica- to lift one of the main conclose eye on how quickly cerns hanging over the pendbacked away from forcing ing merger between two giants of the US telecommunies to open their networks nications and cable industry, to internet service providers, AT&T and TCL If TCI were a move that could eventually forced to give open access

high-speed internet services developed, leaving open the possibility that it could

change its position later. William Kennard, FCC

the telecoms company's tory agency should act. "It is data services, the cable comdeployment of this technol- to internet companies which agency said it would keep a ogy." he said at a FCC meet- rely on their networks, while ing yesterday.

recent weeks between the should be as open as the cable TV and internet ser- public telephone networks. vice industries over the regulation of cable networks in accentuated by the pending chairman, indicated that he the internet age. Once they merger between AT&T, also offer similar services to thought it was too early to have upgraded their net- which is trying to compete (AOL) deliver high-speed of the acquisition for AT&T, decide whether the regula- works to carry high-speed head-on with AoL, and TCI, tional competition.

internet companies have A dispute has flared up in argued that cable systems

The debate has been

very, very early in the panies want to charge a fee one day form a powerful platform for high-speed internet access.

Mr Kennard said the agency would monitor the issue "very closely" in future. However, he also said he hoped that wireless and satellite technologies would consumers, providing addi-

CONTRACTS & TENDERS

AWARD OF A CONTRACT

Due to infrastructural reformations within its Network Structure one of the GSM operators in Turkey, hereby wishes to announce that its existing with sensible price of Alcatel 901 Model, Omni 2-Omni 4 Type BTS&BSC equipments which are currently off use manners and the majority under proper working conditions will be subjected to competitive biding in terms of the most appropriate proposal.

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> Contact person is : Ms. Özden KIR Tel: + 90 212 448 79 02 Fax: +90 212 448 77 77

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LEGAL NOTICES

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The limiterary Act 1990

Notice is heathy given, postoast to noise 4,182A, and 11.2 of the impolency Rules 1996, that the liquidator of the above companies intends to make a distribution to the creditors of the some paracel surface from the formation of the companies without four records from 4 that 1999. Creditors are suprised to submit full details of their claims to the flightdents at 1. The Embandancest, Newlife Street, Leads LST 400 nor before 4 Manch 1999 which is the bot day for proving claims. The full details of claims, released to above, must include the coefforts name and address, the amount of the claim and particulates of later and when the debt was incurred by the companies.

Notice is also given that the transfer distribution is a final distribution and will the standarwhile to any claims nor made by the last day for proving claims. All funch armalising in the liquidator's beants following the final distribution is the distributed to place-

the liquidator's banch following the find distrib-uation to coefficies shall be distributed to share-holders absolutely. Note: the companies are able to pay all their impost coefficies in full. Dated 21 journary 1999 RQ TAYLOR, Liquidator

THE CENTRAL BANK OF **BOSNIA AND HERZEGOVINA** announces the international

COMPETITION for gathering the tender for auditing of the Annual accounts and records of the Central Bank of Bosnia and Herzegovina

- I. The subject of the tender is the auditing of the Annual accounts and records of the Central Bank of Bosnia and Herzegovina.
- 2. The tenderer has to give two tenders for the auditing of the accounts and records of the Central Bank of Bosnia and Herzegovina as following: one tender for period of two years
- · another tender for period of three years (1998, 1999 and 2000).

(1998 and 1999).

Bosnia and Herzegovina

- 3. Deadline for submitting the tenders is 10th of February 1999. 4. The tenders are to be sent in sealed envelope and marked "for competition", to the address of:
- Centralna banka Bosne i Hercegovine ul, Maršala Tita br. 25. 71 000 Sarajevo
- 5. If you require further information, please contact the Vice-Governor Mr. Dragan Kovačević at tel. ++387 71 444-797

INVITATION TO PRE-QUALIFY

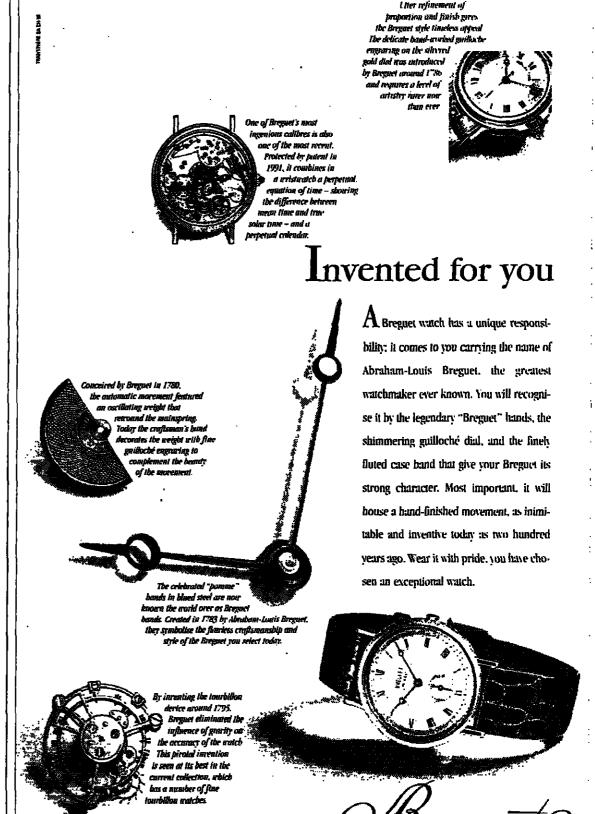
MINISTERIO DE ENERGIA Y MINAS DEL GOBIERNO DE LA REPUBLICA DE VENEZUELA CADAFE BOOT CONCESSION FOR LA VUELTOSA HYDROELECTRIC PROJECT COMPLEIO URBANTE-CAPARO, VENEZUELA

The Venezuelan Government has opened the prequalification and selection process for companies interested in the BOOT concession for the construction and operation of the La Vueltosa hydroelectric power project, to be granted through the Ministry of Energy & Mines and the state-owned power corporation, Cadefe. Companies involved with the development, construction fabrication, installation, testing, and operation of hydroelectric power plants are invited to participate in the bidding for this BOOT contract. The scope of work will include: construction of the powerhouse and related electrical and mechanical works; three bays for generation units, although only two will be considered initially; procurement and installation of two Francis-type turbines of approximately 257 MW each; two generators of 266 MVA; and an associated transmission system of approximately 26 kilometers The duration of the construction period is up to 40 months. The Concession period is 20 years, including construction. Companies interested in perticipating must obtain on request in writing further information for prequelification. upon payment of Bs. 500,000 to Cadale, at any of the following addresses (1) Oficina de la Garencia de Licitaciones y Contratos, piso 14, Edificio Cadate, av. Lic. Sanz, El Marqués, Caracas, Venezuela, Tel. (582) 2713079 or (582) 2088438, Fax (582)2088598; or (2) Desamplio Uribante-Caparo C.A. (DESURCA), Oficins Central del Proyecto Uribante-Caparo, Calle 4 con Viaducto Nuevo, Las Acacias, C.C. El Pinar, Nivel La Bermeja, Sai Cristóbal, Edo. Táchira, Vanezuela, Tel. (5876) 471404 or (5876) 472921 Fax. (5876)472173. The Prequalitication submissions are due in Spanisi at the above offices of Cadate in Caracas by 1400 hr. (local time), Wed

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Brussels' farm reforms fail to satisfy

By Michael Smith in Brussels

common agricultural policy talks. will remain a serious obstacle to world trade liberalisation even after it is reformed this year. Augustus Schumacher, US farms under-sec-

retary, said yesterday. He said the US welcomed the reforms, including price cuts, but they were a small step towards opening mar-

kets. The US would be pushing for further change in the The European Union's next round of world trade

> European Commission's proposals for reforming the CAP, presenting a potential stumbling block to hopes among member states of agreeing change in March to the EU's budget.

back to committees or postpone final votes.

Many MEPs balked at the parliament falled to reach a size of the proposed price sion in February unless they common position on the cuts while others were have parliamentary input. thought to be protesting against the Commission's refusal to commit itself to Mr Schumacher said one of ians want. EU member states will

make changes parliamentar- the US's agriculture priorities in the next trade round would be to win agreement determine the shape of the on ending export subsidies.

signing off any deal, and

may be uncomfortable even

reaching a tentative conclu-

Speaking in Brussels after

European industries threatened by US trade sanctions

a tour of European capitals;

They decided to refer CAP reforms. But they need The EU provided 84 per suspect a creeping change in reports on the CAP sectors parliament's opinion before cent of the world's total in US agriculture policy," he 1996 while the US proportion said. was 1.4 per cent, he said. "If • The European Parliament one major exporter uses export subsidies, others have no choice but to respond in kind."

At the same conference Franz Fischler, EU agriculture commissioner, noted a recent \$6bn aid package by the US to its farmers. "It may be a one off but [some] by member states.

yesterday voted for a complete phasing out of battery hen cages in response to European Commisson proposals that would increase by law the amount of space each hen.

The issue will be decided

Tourism shrugs off Asian downturn

World tourism continued to grow last year in spite of Asia's economic crisis, with his increases in visitors to Africa and south Asia more than offsetting a fall in numbers heading to the Asia-Pacific region.

The 2.4 per cent increase in international tourist arrivals matched growth in the previous year, according to the World Tourism Organisation. Receipts from tourists, excluding air fares, also rose by 2 per cent, compared with 1997 when receipts were flat.

"Our results for 1998 confirm that people do not stop travelling altogether - even during tough times," said Francesco Frangialli, the organisation's secretarygeneral. "It confirms that tourism has become a deeply rooted part of our culture.

The Asia-Pacific region suffered the worst falls, both in numbers of visitors and in value of receipts. While visitor numbers fell 1.2 per cent, receipts slid nearly 4 per cent, or \$2.8bn, because of continuing falls in local currencies against the US dollar. Hardest hit were Australia, Hong Kong and Singapore, although South Korea, which the organisation said turned itself into a shoppers' paradise, enjoyed strong growth in both visitors (up 8.7 per cent) and

receipts (up 11 per cent). The impact of fewer intraregional travellers was softened by higher numbers of Europeans and North American visitors, nearly 2m, lured by cheaper air fares and favourable exchange

Europe attracted 3 per cent more visitors last year, helped by the World Cup in France and Expo 98 in Portugal. Spain knocked the US from the world's number two destination, just below France, Growth in traffic to North America slowed to 1.4

Hungary to award power contracts

By Kester Eddy in Budapes

Hungarian Dunamenti Power, majorityowned by Tractebel of Belgium, is favourite to win the contract to build a new 400MW coal-fired power station at a cost of \$400m.

44,500,000,000,000

No.

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Dunamenti, already Hungary's largest generating company with a combined capacity of almost 2,000MW. is understood to have outbid German and US utilities in a tender for new generating capacity first launched in 1997. The tender, controlled by state-owned electricity wholesale company MVM. was judged strictly on the cost of electricity to the grid.

In a second tender for smaller capacity power stations up to 200MW, MVM has opted to accept only two successful bids. The two front runners are understood to be Tisza Power, a subsidiary of the American utility AES. and Budanest Power, majority owned by a consortium of the Finnish utility Fortum and the Japanese finance

company Tomen. Budapest Power bid to build a gas-fired combined cycle plant in the capital. and Tisza for another gas fired plant in north-east Hungary. Both units will be in the 100MW-200MW range, at a cost of up to \$200m each. Hungarian government representatives and MVM meet this week to finalise the decisions. However, as one MVM official put it: The [the large capacity tender] result was already very clear in December. It is not

based on small differences." MVM announced last October that a total of 33 bids had been received in both tenders, nine for a large capacity unit above 200MW. and 24 for the smaller stations. Bids for the larger capacity tender included two nuclear options from the Hungarian nuclear power company Paks (itself owned by MVM) but these were rejected last week due to incomplete documentation.

Exporters apoplectic at being placed in bananas firing line

Why us, ask European companies facing heavy losses and plant closures if the US goes ahead with penal tariffs on their exports in its trade war over bananas

uropean companies facing the threat of US this beats me." sanctions are furlous about the Clinton administration's targeting of exporters who have nothing to do European activities, they with Washington's dispute with Brussels about the banana trade.

Across Europe, companies making the 17 categories of ing financial problems, job losses and factory closures if the sanctions go ahead.

Many are bemused by the proposed US action, which is designed to force the European Union to modify its banana import regime to remove alleged discrimination against Latin American fruit distributed by American companies.

Ernesto Gismondi, chief executive of Artemide. one of Italy's leading light fitting manufacturers, described the threat of sanctions against his sector as "a return to the Middle Ages".

Mr Gismondì said he could "understand and sympathise with the US when they decide to impose sanctions on the export of Italian coral in retaliation for overfishing on their fishing banks, but

Where we come in into all

While the punitive levies were unlikely to affect the company's Italian and other risked having dire consequences, for its US operations. "Artemide won't close in Italy but our US company could go bust. The goods selected by the US for sad thing is that the US marpenal tariffs say they are fac- ket is growing and offers good prospects after all the

> 'I would buy their bananas myself if they'd leave my company alone'

effort we have put in during the years when the US market was not doing well.' Italian companies and trade organisations held a video conference 10 days ago with Ralph Ives, deputy assistant US trade representative, to ask him specifically why Italy would be so

badly hit. "He told us there were no special reasons." said a trade official. "Italy does not have big interests in the banana open to South American products. But Mr Ives said the US had chosen products that would not damage the

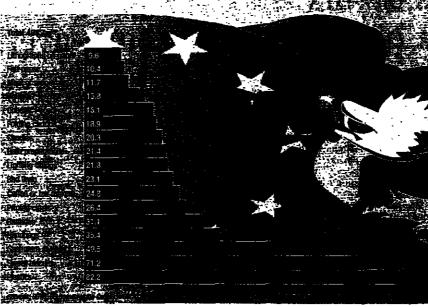
Paper D'Art, a London manufacturer of printed cards, is one of many companies that have been shipping extra stock to the US in recent weeks to try to beat the proposed sanctions.

"Our exports to America don't provide a critical amount of income, but with a doubling of the duties our American distributor might well go out of business. We could lose him overnight." said Mark Everdell, joint

Paper D'Art and Paper Rose, a Nottingham-based printed card exporter, both said they were considering licensing production in the US instead of exporting. "I would buy their bananas myself if they'd leave my company alone," said Mr

Thousands of jobs are at risk in Belgium, where the US action would hit the biscuit industry. "The peak season of Christmas is behind, but the US challenge is a threat for the future," said Bernard Kreilmann, general manager of Delacre Belgium, which exports 20 per cent of its production to the US.

Some of the deepest anger is emerging among Italian and Scottish producers of cashmere sweaters. George Peden, managing director of



land's biggest cashmere producer and part of Dawson International, said the sharp rise in import duty was a serious threat to the company's shops in New York and Chicago, which trade as Cashmere Cashmere. Although he had rescheduled orders for the spring collection, the shops, which obtain 75 per cent of their stock from Dawson compa-

the autumn collection. Italian trade officials said the cashmere sweater producers were already adapting to declining demand in Asia, Russia and South America.

nies in Scotland, "could be

left with empty shelves" for

Ballantyne Cashmere, Scot- European subsidiaries of pressure," he said. Asian investors. Malcolm Howes, sales director of Yuasa Battery UK, a subsidiary of the Japanese Yuasa

> tions could cost his company millions of pounds. Three years ago the UK company, which has a turnover of £60m (\$98m), had no trade with the US at all. But exports have grown rapidly and this year they have US orders for more than 1m batteries. These count for about 10 per cent of their sales.

Corporation, said the sanc-

"If these sanctions go through then the work we have put into creating these exports will be completely wrecked," said Mr Howes. "The sanctions put our UK operations under

Vince Bowen, managing director of Crabtree & Evelyn, a UK-based manufacturer and distributor of toiletries and food, said he was unsure which of the company's products would be hit by sanctions, despite being in the US all last

"If we can't export to America then within our group we will have to perform some balancing acts. If necessary, we will have to move our manufacturing from Wales to our site in America," he said. "It's all a bit silly."

Reporting by Kevin Brown Paul Betts, James Buzton, Sathnan Sanghera and Christophe Jakubyszyn

cirector Vice Pr

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FINANCIAL TIMES

AWARD OF A CONTRACT

CONTRACTS & TENDERS

Due to infrastructural reformations within its Network Structure one of the GSM operators in Turkey, hereby wishes to announce that its existing with sensible price of Alcatel 901 Model, Omni 2-Omni 4 Type BTS&BSC equipments which are currently off use manners and the majority under proper working conditions will be subjected to competitive biding in terms of the most appropriate proposal.

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THE CENTRAL BANK OF **BOSNIA AND HERZEGOVINA**

announces the international

COMPETITION

for gathering the tender for auditing of the Annual accounts and records of the Central Bank of Bosnia and Herzegovina

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INVITATION TO PRE-QUALIFY MINISTERIO DE ENERGIA Y MINAS DEL GOBIERNO DE LA REPUBLICA DE VENEZUELA CADAFE

BOOT CONCESSION FOR LA VUELTOSA HYDROELECTRIC PROJECT COMPLEJO URIBANTE-CAPARO, VENEZUELA

The Venezuelan Government has opened the prequalification and selection and operation of the La Vueltosa hydroelectric power project, to be granted through the Ministry of Energy & Mines and the state-owned power corporation, Cadale. Companies involved with the development, construction, abrication, installation, testing, and operation of hydroelectric power plants are invited to participate in the bidding for this BOOT contract. The scope of work will include: construction of the powerhouse and related electrical and mechanical works; three bays for generation units, although only two will be considered initially, procurement and installation of two Francis-type turbines of approximately 257 MW each; two generators of 268 MVA; and an associated transmission system of approximately 26 kilometers. The duration of the construction period is up to 40 months. The Concession period is 20 years, including construction. Companies interested in participating must obtain on request in writing further information for prequelification upon payment of Bs. 500,000 to Cadele, at any of the following addresses (1) Oficina de la Gerencia de Licitaciones y Contratos, piso 14, Edificio Cadate, av. Lic. Sanz, El Marquès, Caracas, Venezueta, Tel. (582) 2713079 or (582) 2088438, Fax (582)2088598; or (2) Desarrollo Urbente-Caparo, C.A. (DESURCA), Oficina Central del Proyecto Urbante-Caparo, Calle 4 con Viaducto Nuevo, Las Acadas, C.C. El Pinar, Nivel La Bermeja, San Cristóbal, Edo. Táchira, Venezuela, Tel. (5876) 471404 or (5876) 472921, Fax. (5876)472173. The Prequalification submissions are due in Spanist at the above offices of Cadale in Caracas by 1400 hr. (local time), Wednesday

By Robert Peston. Political Editor

Tony Blair, the prime minister, will today back an unambiguous statement of the benefits of the euro when he signs a political manifesto for June's Eurorean parliament elections.

in the latest sign of the UK government's increasingly warm stance on the single currency, Tony Blair will at a meeting in Vienna of 22 European socialist party the euro should deliver

greater price stability. He will also risk a back-

lash from Eurosceptics by supporting an extension of majority voting in European Union decision-making and "better policy co-ordination to prevent harmful tax competition in the form of unfair

The opposition Conservative party will allege that this is coded support for moves towards the controversial harmonisation of European taxes. However, growth, employment and Mr Blair argues that it is in

defined tax breaks favouring specific national companies

On the euro, the manifesto

"We commit ourselves to ensuring that the single currency achieves a smooth introduction and provides stability," it says, adding

large extent been drafted by

"It is a quite remarkable demonstration that Britain is in the driving seat in Europe," said one senior

Mr Cook is understood to

CBi export optimism

icy, which commits signato- who include the heads of 11 EU governments - to prime minister and party improve the international competitiveness of European agriculture and deliver benefits to consumers.

However, Mr Blair told a small meeting of backbench within the increasingly MPs in his London office Eurosceptic Conservative yesterday that he was not planning to change his formal policy on the single currency of deferring UK participation until after the next

monetary union in the sec-

ond wave at a rate artifi-

cially inflated because it failed to join in the first.

Rebecca Driver of Exeter

University last year esti-

mated the medium-term sus-

tainable rate for sterling.

The pound's fair value was

between DM2.10-2.50, they

said. As the equivalent of

£0.93-£0.78 against the euro,

this is much lower than the

market appears to see as the

All of this could prove

mixed blessing for British

exporters, who welcome the

softening in the pound,

which has fallen steadily

from the late summer of 1998

onwards. Many may envi-

ously be eyeing the euro-

zone's 3 per cent interest

rate and waiting for the

moment when they can join.

But if it becomes clear that

the exchange rate for entry

they are used to, and that

they will continue to suffer

from a strong pound on the

way in, their fragile confi-

dence - and their support

The official decision on

made by Ecofin, the commit-

tee of European Union

for the whole euro project

may begin to wither.

actual conversion rate.

Simon Wren-Lewis and

spectacular diatribe from Michael Heseltine, the former Conservative deputy grandee, who accused Mr Blair of being "weak over the overarching issue of our

A pro-European dissident party, Mr Heseltine told the Financial Times he would not take the lead in a pro-Euro campaign until the prime minister had come of the fence,

Brussels steel proposal

By Kevin Brown

A proposed European Union directive intended to force member states to recycle old job losses, atmospheric damage and piles of scrapped cars, a group of 70 members of Britain's House of Commons has warned the Euro-

The move by the the steel group of Labour MPs reflects growing UK concern about the End of Vehicle Life directive, which will be considered by the European parliament's environment committee on Monday.

British Steel says the provisions would jeopardise hundreds of jobs at its Rotherbam engineering steels plant in northern England, which makes more than a third of the leaded machining steel produced in the EU. UK ministers believe they have support in Europe's Council of Ministers for the

finance ministers, after machine are environmenrecommendation from the tally unjustified. European Commission and Ministers also believe it is consultation with the Eurolikely that the directive will pean Central Bank, Many be dealt with under the new Ecofin members may want co-decision procedure sterling to join at as high a included in the Amsterdan treaty, which means that the European parliament will have to agree to any amend-

> use to continue. Denis MacShane, chairman of the steel group, said the directive was counterproductive because machining unleaded steel required more energy, and existing cars would be banned from recycling centres because of their lead content. "What started life as a response to the accepted view that lead should be removed from the industrial process has caused unintended consequences threatening far

SPORTS CARS **Proton's Lotus offshoot to**

> The Lotus sports car offshoot of the Proton vehicles group of Malaysia is to increase production of its Elise sports ca to 3,000 a year, almost four times the level envisaged

boost output of Elise

NEWS DIGEST

when the car was launched three years ago, The company has also announced that a new unit, Lotus Body Engineering, has been formed following Lotus's purchase, for an undisclosed sum, of the assets of MGA Developments, an automotive and aerospace engineering consultancy which went into receivership last October. MGA's customers had included the Rolls-Royce car com pany, Boeing and Sikorski. About 50 per cent of Lotus's turnover of more than £100m (\$165m) is derived from engineering consultancy, John Griffiths, London

NEW EMPLOYEE RIGHTS

Law heralds historic change



extra maternity leave and time off for family emergencies under labour legislation yesterday that will move the UK closer to continental European employment practice. The new law aims at an historic change in UK employment relations, widening a legal framework of individual worker rights and creating legally enforceable workplace minimum standards. Proposals include the right to take unpaid time off work to deal with "domestic emergencies"; the right to 40 weeks' maternity leave after one year rather than

given new rights, including

two as at present; an increase in maternity leave for all employees from 12 to 18 weeks from the first day of employment; banning the use of employer blacklists of workers who are trade unionists; and extending legal rights to part-time workers enjoyed by those in full-time employment. The bill also provides trade unions with an opportu-

GAMBLING SOFTWARE FRAUD

Director banned for 13 years

A seller of computer software which "guaranteed" success when betting on horse-racing and pools (gambling on the results of soccer matches) has been banned from being a company director for 13 years.

The disqualification order against Kevin John Robinson, an Australian citizen of Benowa Waters, Queensland, is only two years short of the UK maximum period allowed for "unfit conduct". Mr Robinson's company, Comstrad, sold £4.5m (\$7.4m) of software to at least 2,000 people, according to the UK government. Comstrad said it would reimburse the first £500 of any customer's losses. It was wound up by a London court in 1996 with debts of £457,233 excluding claims from customers. The court found Comstrad had carried on its business by conducting a serious fraud on the public. Clay Harris, London

RESIDENTIAL PROPERTY

Rental investment scheme

that is owned by small landlords who cannot manage large

nity to grow after eighteen years of decline. Robert Taylor, London

view that rules forcing vehicle makers to stop put ting small amounts of lead in steel to make it easier to

ment allowing leaded stee

more damage to the environ-

attacked

Industry Editor

vehicles is likely to lead to pean parliament.

will be much higher than sterling's joining rate will be

Schroders, the UK-based investment bank, and property consultants FPDSavills, are discussing the launch of a unit trust structure for institutional investment in rented residential property aimed at raising up to £500m (\$825m) over the next three years. The talks underscore the failure of the government's own Housing Investment Trust legisla tion to encourage investment in private rental housing, amid forecasts of surging demand for that type of accommodation. Currently, only 10 per cent of the UK's residential accommodation is private rental housing, and most of estates efficiently. Norma Cohen, London

PRE-QUALIFICATION CONTEST

EVALUATION STUDIES OF ENTERPRISES IN THE PUBLIC SECTOR AND TECHNICAL ASSISTANCE IN PRIVATIZATION **OPERATIONS**

It is open, for a period of 45 days, the prequalification contest of entities willing to perform evaluation studies of enterprises in the public sector, and to give technical assistance in the privatization operations to be held in Portugal.

The provisions which regulate the contest were approved by the regulation number 664/99 (2nd Series), of the Chancellor of the Exchequer, of 98.12.29, published in the official newspaper, 11 Series, number 12, of 99.01.15, pages 542 to 544.

The people concerned must present, according to the situation, the applications or the declarations mentioned in item 2.1 of the aforesaid regulation, until 17H of the 99.03.01, at the "Inspecção-Geral de Finanças" - Rua Angelina Vidal, 41. 1199-005 Lisboa Codex". The applications/declarations can be sent by mail, within the terms stated in the respective provisions.

Any question concerning these procedures must be presented to the Commission, by writing, at the address above-mentioned, or by the Fax number 351/1/813 87 42, till the 99.02.15.

lower interest rates and the UK's interests to stamp that it is in the interests of the section on reform of the

tax breaks".

also says the new currency is likely to protect EU members against currency speculation. It cites benefits for consumers from enhanced competition.

out the use of narrowly all EU members for the euro Common Agricultural Polto be a success. The document has to a

Robin Cook, UK foreign secretary, in the first example of a British politician playing such an influential role in the creation of a pan-European manifesto.

be particularly pleased with

Bets focus on 2002 as euro date of destiny

US bank's London analysts say sterling may already be affected by expectations of deal, Alan Beattie writes

bere is a growing expec tation in the City of London that the UK government will adopt the euro in 2002, possibly at a rate of £0.72 (\$1.18). Currency analysts at the US bank J.P. Morgan in London say that if the market believes that the UK will sign up to the euro in 2002, it could be holding the value of sterling up now. They calculate that if the pound enters monetary union at a rate of around £0.72 to the euro (equivalent to DM2.72), sterling will be held in a range of £0.695-£0.705 (DM2.78-2.81) against the euro in the short term. depending on how quickly interest rates in the UK and

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the euro-zone converge. They further estimate. based on the difference between long-term interest rates in the UK and the eurozone, that the market currently estimates a 73 per cent chance of the UK joining by 2002 - up from just over 50 per cent at the beginning of 1999.

Deutsche Pank, whose staff make a similar calculation based on options prices. also reckon the market believes the IJK is more likely than not to join by 2002, and that the probability has risen since before the euro's launch. But why should £0.72 be treated as the likely level for sterling's entry? "It is based on the level most often quoted as a possible entry rate, not least by government officials,"

J.P. Morgan says. close to sterling's average over the past few years, which is one of the reasons it may be adopted. But this

EU aid to

nations 'a

to focus development aid

on the world's poorest

countries has been con-

demned as a "scandal" by

MPs in a report issued

The report by the inter-

national development com-

mittee of the House of

Commons, the lower house

of parliament, highlights

how in 1996-97, none of the

top seven recipients of

European Union aid was a

"low-income" country.

Only two of the top 10 were

"least-developed coun-

action policy of the [EU] is to give more to the better

off and less to the poor." the report says. "Recent

fraud allegations have undermined the reputation

of the [EU]... This report tells the story of an exter-

nal assistance budget unfocused, unco-ordinated, inef-

fectively implemented, and,

to use the words of Clare

Short [chief UK interna-

tional development minis-

terl 'skewed quite dread-

The report says an EU plan outlining how the aid

will be spent in the next

seven years shows "an

unacceptable neglect of the

needs of the poorest coun-

tries of the world". The

EU's main aid budget was

worth £4.4bn (\$7.2bn) in

1998. Spending proposals

are forwarded by the com-

mission for approval by the

council of ministers and

The EU is the fifth larg-

est donor of development

assistance, and the second

largest multilateral donor.

The UK Department for

International Development

passes £783m, or 30 per cent of its budget, to the

EU for project funding.

European parliament.

fully against the poorest'."

"The current external

poorest

scandal'

By Andrew Parker, Political Correspond

today.

'Soft landing' will require rate cuts, warns institute

Will sterling comply with exporters' wishes?

The UK economy will achieve a soft landing avoiding recession despite a projected slowdown in growth this year, says the Vational Institute of Economic and Social Research in a report published today,

Christopher Adams writes. However, further interest rate cuts will be needed to

higher than warranted by

economic fundamentals, for rather fronic reasons. Sterling surged by over 30 per cent against European currencies in the two years after August 1996. And despite falling in late 1998, it The £0.72 value is also has held on to the bulk of

these gains. Despite the complaints of UK. The remainder, many many industrialists, who put have suggested, could have the blame firmly on the been linked to the UK's deci-Bank of England, the arith- sion to stay out of the first

By Michael Skapinker, Aerospace Correspondent

The aviation industry's

consumer watchdog has

complained to the Office of

Fair Trading that the small

print in airline tickets is

unfair to travellers and con-

trary to European Union

The Air Transport Users'

Council said it objected to

airlines' insistence, for example, that passengers

had to reach check-in desks

in time, even though carriers

were responsible for the

The council, set up by the

Civil Aviation Authority 25

years ago to protect passen-

gers, said another clause in

tickets allowed airlines to

limit their liability for can-

celled flights to the cost of

Ian Hamer, the council's

chairman, said: "It is not

length of the queues.

stimulate domestic demand. The institute's projection for the institute warns. With

economic growth of 1 per inflation likely to fall below cent this year is identical to the government's target this year, there should be room that made by Gordon for a continued relaxation of Brown, chancellor of the

monetary policy. By the end of 2001, the exchequer, who announced report says, interest rates yesterday that his national will have fallen to below 4 Budget measures would be per cent, their lowest level disclosed on March 9. for almost half a century.

CONSUMER PROTECTION WATCHDOG ATTACKS CONDITIONS LISTED IN SMALL PRINT

should be selling tickets

under contractual terms that

were first drafted 50 years

Passengers had no guaran-

tee they would fly with the

atrline shown on the ticket.

Under increasingly common

code-share agreements, air-

lines sold seats on each oth-

er's flights. If there were

redress against the airline

from which they bought

Mr Hamer said: "In addi-

tion to these gross inequi-

ties, the devil is in the small

print. Nearly every clause in

the contract provides the air-

lines with another get-out

and imposes a new obliga-

The council said it bad

complained to the OFT spe-

cifically about British Air-

their tickets.

ago and are heavily biased

against the consumer."

metic shows that only a wave of monetary union. small part of this rise was The immense uncertaindirectly caused by tighter ties of monetary union meant that in the run-up to monetary policy. Calculations by the Bank of the launch, the euro-zone currencies were all subject England, the UK central bank, show that only a tenth to the same risk: that the

folios.

said it had chosen the two as

examples. Its complaint was

against the entire industry.

Most airlines based their

conditions of carriage on a

model recommended by the

International Air Transport

Mr Hamer said the council

had complained to the OFT

after negotiations with the

airlines failed. It had also

taken its complaints to Brus-

sels, arguing that the condi-

tions of carriage in airline

tickets contravened an EU

consumer protection direc-

tive. But the European Com-

mission said initial com-

plaints had to be made to

national competition author-

This raises the possibility

of that rise could be project would collapse. So level as possible to stop the

explained by expectations of investors may have switched UK gaining a competitive higher interest rates in the into sterling assets to baladvantage, and can take the

that sterling could enter

mound's level at the a starting point.

Airline ticket clauses 'unfair' applications from businesspeople wishing to travel to and from the UK, lawyers

ment," he said.

upheaval" for some weeks while immigration offices in Croydon, south London, are modernised. Lawyers representing business executives said the delays were "totally unacceptable", resulting in a system "worse than a Third World country". Julia Onslow-Cole, partner with Cameron McKenna, which represents a number of high

claimed vesterday. Simon

Buckby writes. The Home

Office has accepted there

"considerable

will be

orofile businessmen and BA said: "These are staninvestors to the UK, said the dard airline industry condiimmigration directorate had tions of carriage which are used by virtually all airlines around the world." Delays in modernising

in effect shut down for three months and had withdrawn the fast-track service for law yers representing business

said yesterday. After their first joint

dale, a derivatives trader at

for two years. Mr Dinsdale

But the regulators found

Pension funds shift purchases

estment Corresponden

UK pension funds bought more equities from continental Europe last year than from any other region, intensifying a trend that has seen the average UK fund more than double its bolding in Europe since 1990.

The average pooled pension fund studied by Caps. the fund measurement company, invested roughly twice as much in the continent as it did in US equities last year, a position that reverses the relative weightings of the areas in the FT/S&P-A World ex-UK index.

The annual survey of flagship funds managing more than £129bn (\$213bn) confirmed the trend for the four largest UK pension fund managers to underperform their peers. Schroders and Phillips &

third largest pension fund managers respectively, ranked in the 10 bottom funds out of 64 measured last year. Significantly, both fared badly over the allimportant three-year period.

Gartmore and Mercury Asset Management also underperformed the median last year, the former suffering from longer term problems. Only Morgan Grenfell of the UK's largest fund managers beat its peers. Active managers have con-

tinued to underperform the index slightly in the UK and significantly in the overseas markets. The median overseas fund return was 17.7 per cent, compared with 22 per cent for the FT/S&P-A World ex-UK index, largely because of the continued success of

Executives and firms are fined

By Clay Harris, Banking Correspondent

Two funds sold to wealthy investors outside the UK had performance records falsely inflated by the inclusion of commission rebates and the transfer of money belonging to the children of one of the managers, UK regulators

was reprimanded and fined investigation, the investment Management Regulatory Organisation (Imro) and the Securities and Futures Authority disciplined and fined two firms, Global Portfolio Management and Financial Trading and Consultancy, and two executives, Edgar James Swaab, formerly managing director of both firms, and Roy Dins-

(\$122,750) and suspended Mr exchange transactions.

vidual for three years. FTC £75,000 by SFA, which also fined Mr Swaab £50,000 severely reprimanded him expelled him from its register of senior executive officers for four years and suspended him from the register of executive directors

£7.500. GPM, which no longer conducts investment business, formerly managed the Penta 1 and Penta Europe funds. The funds' strategy involved writing options and hedging those positions with the intention of preserving market neutrality.

that when the funds were performing poorly in late Imro fined GPM £75,000 rebated but shown as foreign

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RICHARD DONKIN

Search for happiness

Serving your employees might be more satisfying than pursuing your ambitions

One of my favourite books is a children's story called The Trip to Panama by Janosch, the pseudonym of Horst Eckert, the German illustrator. It is a story about two animal friends who live in a house by a river. They are reasonably happy but share a belief that somewhere else life might be so much better. One day they find an old banana Crate floating past their

garden. On the side it says Without knowing anything about the place, they decide that Panama is the "land of our dreams" and set off to find it. On the way they meet and befriend other animals. All seem entranced by this magical place called

After what seems like endless days of wandering the friends come upon a house. It looks perfect and they conclude that this really must be Panama. They settle there, blissfully happy that they have found the land of their dreams. It is their old house, of course. It sometimes seems to me that we are all in search of

undefinable that, if we stop

and look around us, we may discover has been there all along. Perhaps the journey is an essential part of this self-discovery. In Robert Frost's poem. Directive, he wrote of being "lost enough to find yourself". Maybe Janosch's story is a milder variation of *The* Wizard of Oz, exploring ideas of self-discovery without the harsher experiences of Dorothy and her

companions: or maybe it is simple explanation of Maslow's blerarchy of needs Finding the land of your dreams could be the equivalent of striving towards what the ment writer Abraham Maslow called self-actualisation – fulfilling your potential or doing what you know you must do.*

Some of these thoughts were inspired partly from reading a collection of essays by Robert Greenleaf** recently re-published in the US – and partly from a meeting with Mark Dixon. chairman of Regus, the

there is an office at headquarters. This is a fundamental shift in thinking. People will not want to waste two hours in traffic every day."

But it is Mr Dixon's pragmatic approach to leadership that is most striking. It is not seeking power but information, primarily in one direction what do people need and how can I provide it? Surely this is true servant

Greenleaf, a former

research manager at AT&T,

made a name for himself in

later life expounding his

leader. His idea was that

true leadership could be

not fully understand his

meaning in a corporate

found through service. I did

sense before speaking with

Mr Dixon, who has some

conventional leadership.

There is no hierarchy in

this company," he says. He sees himself at the bottom of

the organisation, instilling

Mr Dixon has a very clear

aims of his business. He see

it not simply as a profitable

enterorise but as a service

that will help to change the

A large infrastructure of

staff and technology, he argues, could herald a return

community, allowing people

When employing someone

say 'what's the salary, what's the benefits, and can

to work near their homes.

in five year's time, they'll

I have an office down the

road'. They will not assume

office space with support

way that people work.

to the values of the

his own vision into the

company's employees.

idea of the direction and

refreshing views on

concept of the servant

leadership. Greenleaf was also attracted to the moral dimension of leadership, the idea of self-fulfilment in providing a service to society. Again this seems evident in the Regus

One of Greenleaf's most

mportant observations, however, is that you need not be a business leader, or indeed any kind of titular leader, to provide this kind of leadership. This was a theme explored by Elwyn Brooks White, an American ssayist, again in a children's story, this time about a mouse called Stuart Little. White's story, about the mouse's search for a bird called Margalo, which embodied his ideal of beauty and goodness, ends inconclusively. The reader

mouse ever finds the bird. White explains that Stuart Little's journey is symbolic of that made by many people, seeking something that is "perfect and unattainable Much of life is questing

does not know whether the

"Whether he ever found her (the bird) or not, or whether he got home or not, is less important than the adventure itself." Janosch's characters do indeed find the land of their dreams. It

matters not that they ended where they started, that the grass, in fact, was greener on their side of the fence. These are cautionary tales

for the ambitious, particularly in these days of flatter structures. They also expose the nonsense of 'managing expectations' among employees, an approach that smacks of institutionalised

'To do some idiotic job very well is not real achievement[,]

wing-clipping. People need to pursue their dream but it belps if they can celebrate some triumphs on the way. These might manifest themselves as personal insights - a realisation that a particular moment in your

life is as good as it gets. Such an experience might occur while looking at the garden, enjoying a game with the family or walking along a beach. The point is to recognise the moment for what it is - one of life's pinnacles. Enjoy it, then move on. Sadly, such episodes are easily eclipsed in the pursuit of ambition.

wrong to pursue some degree or ambition. Greenlead identified this seeking quality as a significant driving force among Quaker

industrialists. The Religious Society of Friends originated among a group of people, previously were looking for some vision. The social impact of their business ethic that

recognised the needs and aspirations of employees oved a powerful influen in both the UK and the US during the 18th century. Greenleaf suggested that the Quakers lost their ntum when they arrived; when their

movement became a church Another point stressed by both Greenleaf and Maslow is that the journey must have some meaning. Work for work's sake was never part of the rationale behind either servant leadership or self-actualisation. On the contrary Maslow argued that To do some idiotic job very well is certainly not real

The vogue for re publishing the works of management thinkers like Maslow and Greenleaf has much merit. Unfortunately has not spread to children's books. The Trip to Panama is out of print.

Masiow on Management, by Wiley & Sons \$24.95 **The Power of Servant Leadership, by Robert K Greenleaf, is published by richard.donkin@ft.com



Useful tips on how to manage your colleagues

How do you handle a promotion that makes you the boss over your colleagues? High Flying, a new book from The Industrial Society, provides some useful tips. Debra Allcock, its author and the society's campaign. manager, recalls the difficulties she experienced when promoted to her first

management role. Had she been given any prior training or insight into the do's and don'ts of such transitions, she says, she might have avoided behaving like Genghis Khan. Among the "do's" are to "don'ts" include this valuable piece of advice: don't take the best desk/ eat/equipment for yourself. The book costs £10.99.

Less schmoozing

+ 44 121 410 3040

Night working in the US has en sharply since the 1970s according to a study by Dan Hamermesh, professor of economics at the University of Texas in Austin, published in

the Economic Journal. But while fewer people are working at night, many more people, he says, are working at the beginning and end of the day. The expansion of these working periods. he notes, means that lewer people are working at the same time, reducing the opportunities for social interaction or what Prof Hamermesh prefers to call

"schmoozing". You need only read the expanding lonely hearts columns to appreciate the decline of the schmooze. The result, he argues, is a poorer society for everyone. Dan Hamermesh, e-mail: hamermes@eco.utexas.edu

Merger fall-out

* 7.:

Challenger Gray & Christmas, the US outplacement firm, recently calculated one in nine job cuts in 1998 resulted from a

merger or acquisition. The same ratio of jobless managers and executives. say the company, started their own businesses in the fourth quarter of 1998. The strength of this start-up activity, contrasted with the employee fall-out from company mergers, helps to illustrate the scale of the structural changes in business across the US есопотту. John Challenger, 001 312 332 5790

BANKING FINANCE & GENERAL APPOINTMENTS

High Profile Compliance Roles within this Dynamic Financial Services Group



The Halifax Group is currently undergoing a period of significant growth and expansion. It sees the diligent management of regulatory risk as making an integral contribution towards the success of the company's overall business strategy. It is now looking for two experienced and talented regulatory professionals to report to the General Manager, Regulatory Risk.

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- oting the Group's interests in European legislation as it impacts on the UK

The successful candidate should have experience or knowledge of international regulation.

Head of Retail Investment Business

Responsibilities will include:

- Communicating proactive advice, education and training to the businesses, in order to positively shape and influence these areas to achieve the highest standards of compliance with UK retail regulatory expectations and thereby to minimise business risk.
- Establishing and maintaining positive marketing relationships with the Financial Services Authority and
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The successful candidate must have a proven track record in compliance with a detailed knowledge of PIA regulations and, preferably, experience with a regulator. He/she will hold the AFPC or equivalent.

Probably holding a degree or professional qualification, candidates for both positions should have the interpersonal and communication skills to enable them to raise the Group profile as an organisation at the forefront of harmonising regulatory and business objectives. They will be used to liaising at a high level and taking a proactive and constructive approach to business developments and initiatives These appointments represent outstanding opportunities for highly motivated individuals keen to play a major part in the Group Regulatory Risk function through participation as a member of the function's senior management team. Interested applicants should contact Sue Lintern at Michael Page City, 50 Cannon Street, London EC4N 6JJ, quoting reference 483242. Fax 0171 329 2986. Alternatively, telephone 0171 269 1885 for an initial

discussion, e-mail: suelintern@michaelpage.com Any CVs sent directly to the Halifax Group will be forwarded to Michael Page City. Michael Page

Help shape the new regulatory framework for financial services

33 The Financial Services Authority UK financial services industry Its scope extends to banking. companies, building societies. insurance companies. frightly societies and credit unions.

Financial Services Authority

Policy Adviser

To enable the FSA to prepare for the challenges of its wide-ranging role under the Financial Services and Markets Bill, ft needs first-rate people who can bring both analytical skills and pragmatism to its policy development.

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Developing and negotiating policy proposals, participating in consultative exercises, project management, and internal and xternal liaison are all part of this multifaceted position. To be considered, you should have strong academic and/or professional credentials, coupled with practical experience of the regulatory

system, or of policy development in a comparable sphere of activity. Above all, you should be able to demonstrate your ability to work at a strategic level while

This is a unique opportunity to take an active part in the formative phase of the new regulatory system and to develop valuable skills and expertise. Career prospects within the FSA itself are good, and remuneration is designed to attract and retain high-quality candidates.

To apply, please telephone 0171 269 6204 quoting reference: FSA BA 332. When returning the application form, please enclose your CV and a covering letter explaining how you feel you would

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successful candidate will be responsible for researching and evaluating regulations, reviewing and signing off advertisements and other marketing material, advising on the application of investment legislation and regulations to all new products and services and providing expert technical guidance and training to the business. As the focal point for all technical enquiries, this role is absolutely key to the compliance department.

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Candidates should have a proven track record in compliance with a detailed knowledge of the Financial Services Act, IMRO and, ideally, PIA regulations and the ability to interpret aspects of other legislation.

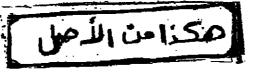
A sound knowledge of investment products and services and of investment systems procedures and practice is essential and a relevant professional qualification or law degree would be advantageous. Strong interpersonal and analytical skills, decisiveness and a thorough, exacting and highly professional approach are imperative.

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FINANCIAL TIMES FRIDAY JANUARY 29 1999



EUROPEAN CENTRAL BANK

VACANCIES IN THE MIDDLE OFFICE OF THE EUROPEAN CENTRAL BANK

The European Central Bank (ECB), established in Frankfurt am Main on 1 June 1998, is urgently seeking applications from suitably qualified candidates to fill the vacancies listed below. The ECB has its own terms and conditions of employment, including a competitive salary structure, retirement plan, health insurance and relocation benefits. Candidates must be a national of a Member State of the European Union.

The Middle Office is a unit of the ECB which provides organisational support and proposes policies and procedures on risk management. It is responsible for the management of market risk in the ECB's investment operations, and credit risk in the investment, monetary policy and foreign exchange operations of the ECB.

Positions and Qualifications

Risk Management Expert

The holder of this position will participate in running the ECB Middle Office function in the field of market risk and credit risk in the context of portfolio management for foreign exchange and own funds operations and related analysis.

- University degree in economics, finance or comparable qualification. Relevant advanced post-graduate studies would be an asset.
- Strong background in the area of analysis and management of market risks, preferably in a central bank. Experience in the field of benchmarking, financial optimisation, scenario simulations, management reporting and implementation of related financial models. Experience in credit risk methodologies, limits and exposure calculation and implementation and development of credit risk systems will be an asset.
- Knowledge of monetary and foreign exchange issues, financial markets and instruments. Strong quantitative background, in particular as regards financial mathematics and statistics.
- Strong interpersonal and communication skills, including experience in presenting analysis and addressing risk policy issues in non-technical terms and the ability to work in a team and under pressure.
- Experience in an international environment would be an asset.
- Very good command of English. Working knowledge of at least one other European Union language is required.
- Experience in using information technology and office software systems.

Ref: ECB/50/99FT

Quantitative Analyst

The holder of this position will contribute to the ECB's risk management by acting as support in running the ECB Middle Office functions, especially in the area of market risk management and control, and will assist with the design and implementation of quantitative models and tools related to risk management issues.

Oualifications

- · University degree in stochastic mathematics, statistics or a related discipline.
- · Previous experience in quantitative analysis applied to financial markets, preferably in relation to portfolio management, would be an asset.
- Good knowledge of monetary and foreign exchange issues, financial markets and instruments. Solid foundation in theoretical and applied statistics, econometrics, financial optimisation and simulation
- Strong interpersonal and communication skills and the ability to work in a team and under pressure. Experience in an international environment would be an asset.
- Very good command of English. Working knowledge of at least one other European Union language is
- required.

Ref: ECB/51/99FT

Ref: ECB/52/99FT

Excellent Package

Risk Analyst

The holder of this position will contribute to the ECB's risk management by acting as support in running the ECB Middle Office functions, especially in the area of credit risk management and control, and will assist with the administration of risk management systems and databases.

Qualifications

- University degree in economics, or comparable qualification.
- Previous experience in the administration and management of risk management systems and databases. Experience in monitoring and analysing financial market developments related to assessment of credit tisks.
- Good knowledge of monetary and foreign exchange issues, financial markets and instruments.
- Strong interpersonal and communication skills and the ability to work in a team and under pressure.
- Experience in an international environment would be an asset.
- Very good command of English. Working knowledge of at least one other European Union language is required. Experience in using information technology and office software systems.

Applications should include a Curriculum Vitae and a recent photograph, together with references confirming the required experience and skills. They should quote the appropriate reference number and should be addressed to the European Central Bank, Directorate Personnel, Postfach 16 03 19, D-60066 Frankfurt am Main, and should reach us no later than 15 February 1999. Applications will be treated in the strictest confidence and will

These vacancies are also published on the Internet at http://www.ecb.int, but applications should only be submitted on paper via surface mail.

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- Strong execution skills.

The Candidate:

- Creative and thorough approach, combined with excellent relationship skills.
- Graduate from a leading university or professionally qualified with 1-4 years' investment banking experience.

Please write in confidence, giving full career and current salary details, quoting reference IT/1571

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7 Curzon Street, London W1Y 7FL

EUROPEAN TAX MANAGER

Tyco International Limited., a US \$17 billion diversified manufacturing and service company with over 80,000 employees worldwide, is the world's largest manufacturer and installer of fire and safety systems and provider of electronic security services and has strong leadership positions in disposable medical products, packaging materials, flow control products, electrical and electronic components and underwater telecommunications systems.

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The successful candidate will have a minimum of five years of international tax experience, with a multinational or an international accounting or law firm, preferably as a tax manager or tax counsel. A CPA degree or an advanced legal degree in international taxation is a prerequisite, as is complete fluency in English, French and preferably at least one other European language. Organizational and computer skills are also a must. The successful candidate will be a self-starter, enthusiastic and able to take a leadership position in a dynamic and changing business environment.

Tyco offers an outstanding professional challenge and competitive compensation commensurate with experience. If this description fits you, please reply in confidence by mail or by fax with a current c.v., salary history and an analytical English writing sample (no more than 5 pages) to:

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Closing date for applications is February 15, 1999.

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PORTFOLIO MANAGEMENT FIRM

KEY BUSINESS DEVELOPMENT ROLE

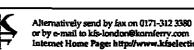
Excellent remuneration package

An industry leader in the field of independent global fixed income portfolio management, our client has offices in London, New York, Tokyo and Singapore, with clients located in 25 countries around the world. Particularly strong in the provision of quantitative techniques for the management and control of risk in fixed income portfolios, and the design of innovative portfolios for particular liabilities or return objectives, this highly successful company is looking to recruit a senior Business

Reporting to the Managing Director and Head of Business Development, the role will primarily focus on the United Kingdom but may involve other geographical accountabilities.

- Responsible for the design and implementation of the business development and marketing strategy for the company's products and services to primarily FTSE 30 companies.
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- Design and implement pitches and presentations to new and existing clients.

Please send your CV with current salary details to: Daniel Richards, K/F Selection, 252 Regent Street, London WIR 6HL, quoting ref: 60101A/04.



The Requirements

■ Minimum of 3 years track record in business

with the sophisticated prospect/client base.

■ Significant knowledge of the fixed income market, with

A self-starter with the flexibility to work autonomously

Strong academic background, ideally with a business or accountancy postgraduate degree.

or in a team, with the maturity and interpersonal skills to build a business with a broad cultural client base.

ficient technical understanding to establish credibility

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PREMIER UK PRIVATE EQUITY FIRM

DIRECTOR - IT/TELECOMS INDUSTRY OR FINANCIAL SERVICES BACKGROUND

LONDON

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- Well established private equity firm with 4 record of over 25 years investing in private companies across a range of sectors including IT/telecoms. Highly entrepreneurial in approach, the firm covers all stages of corporate development from early stage and expansion capital to MBO/MBI opportunities.
- The firm has offices in the UK and Continental Europe. Continued growth and opportunities for expansion now require it to add to its existing team of directors. The individual will be responsible for helping consolidate and build the company's UK investment portfolio, particularly in the South East, with the opportunity to potentially work on cross-border situations going forward.
- Based in London, responsibilities will include sourcing and developing new investments, monitoring performance of existing investments, supervising exit strategies, serving

Picase apply in writing quoting reference 8057 with full career and salary details to: Emonic Barrow, Whitehead Selection 11 Hill Street, London W1X 8BB

Tel; 0171 290 2043. Pax: 0171 290 2089

team as a key member of the investment committee. · Excellent academic credentials, ideally with an MBA or other postgraduate or professional qualification. Strong commercial background in private equity, structured

on investee boards, as appropriate, and working with the

- finance, accountancy, or a senior corporate development or linance rule, preferably gained in the IT/telecoms High calibre individual with first rate intellect, well boned analytical skills, and a network of contacts in the
- London market. Fluency in German desirable. · Highly driven, entrepreneurial and results orientated.
- Assertive, energetic team player with excellent communication skills. Real level of gravitas with the ability to-make an impact internally and externally. Dynamic, with ambition to succeed in competitive environments.



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ABU DHABI

Company Profile One of the largest and nass presignuts commercial banks in

the Middle Fast with overseus branches in Egypt. Sudan. London, Paris and Washington. The bank's extensive corporate and private chera base is erced by a well developed Advances Division which assesse

credit applications from local and overseas branches The International Advances I am is key within this division. The bank has an environe growth and profit record and employs the very latest technology to provide a wide range of products and services

Reporting to the Chief Advances Manager you will crosure that creds applications comply with policy and are administrated

wiftly and acousticly. Amon applications on a rock basis and approve final

Private gustance on all international risk related

matters, especially with regards to improving credit presentation and risk assessment. rates of the bunk's Country Risk Commutee



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stills. Able and willing to work effectively in a multi-cultural

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SEARCH AND SELECTION

EAD OF OPERATIONS

THE COMPANY: Our client, a European AA rated bank with total assets of US\$25 billion and a strong international presence, offers a comprehensive range of financial related products and services to its clients. As a result of continued growth, our client requires an exceptional individual to manage all operational aspects across the London branch,

COMPETITIVE PACKAGE

THE ROLE: Reporting to the Chief Executive, this role offers an outstanding opportunity to develop and manage the entire London branch in support of treasury, capital markets and the commercial banking businesses through:

- coordination and control of the settlements, accounting, loan and trade
- recruitment, management, development and appraisal of all
- administration and systems areas
- operations staff and senior management
- developing a team which is accountable and possesses both a sense of urgency and a 'positive' attitude
- improving and enhancing existing systems and procedures and minimising
- membership of the Senior Management Committee, he or she will contribute to developing strategies to meet organisational objectives and directly influence the long-term direction of the company
- managing all operational aspects across the branch, facilitating continual high growth and the development of strategies which will drive growth into the next millennium
- proactive development of relationships with all operational management
- dose liaison with associated service companies and the Board

THE PERSON: This position will suit a mature individual who has an in-depth understanding of back office operations. You will have established a proven track record within a managerial capacity and possess excellent communication skills. The successful candidates will:

- have at least 12 years' experience within a back office/ operations environment
- be back office trained, preferably within a US or European commercial bank
- · be professional, proactive and possess a 'can do' attitude



Please forward your full résumé in the strictest confidence, quoting reference FT3309 to: Antal International, 2nd Floor, 90 Tottenham Court Road, London W1P, OAN. Tel: + 44 (0) 171 637 2001 Fax: + 44 (0) 171 637 0949 e-mail: cv@antal-int.com or visit our website on www.antal-int.com

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You will almost certainly bear a parpeased degree and around one at lovery year relevant experience. Not will been no demonstrates a germine whereas in-

Sales Executive

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Please forward your application, together with your C.V., in complete confidence to:

Mary Nuttall Frank Russell Company 12 Clifford Street, London W1X 2FR

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The AES Corporation, founded in 1981, is one of the world's largest global power co AES is dedicated to supplying safe, clean, reliable electricity to meet global energy needs and owns, or has an interest in, ninety plants totalling over 27,000 megawatts in 13 count addition to baving assets in excess of \$10 hillion. AES has numerous projects in cons

An opportunity has ansen within AES' Silk Road group (which deals with the development of nesses in the Middle East, Former Soviet Union and Central Asia) for a

The Financing Leader's responsibilities will include the following:

- create, build and maintain relationships on behalf of the group as a whole with financial
- lead financing efforts on behalf of the group's existing businesses in Kazukstan and Georgia; support the linancing of future business development efforts and acquisitions in the Middle East, FSU and Central Asia.

The successful candidate will be a graduate and will possess at least five years' experience of oject finance, whether gathered in a banking, or project development, environment. Strong minimication and interpersonal skills will also be necessary. Power sector experience, although opiete, would be desirable.

It is envisaged that a certain degree of travel will need to be undertaken in order that the messes within the group's portfolio be understood with a view to raising finance. As an AES person, you will enjoy a values and people-oriented culture where fun, farmess, social consbility and integrity play key roles, providing opportunities for increased responsibilities in nvironment which values creativity, energy and enthusinsm.

Condidates interested in this exciting position should forward their CV, and an indication of their most recent salary package, to Stelios Vassileon, Group Accountant, at the following address: AES Silk Road Ltd, Unit 4, Oxfed Chambers, 185-187 Statles Road East, Oxfed, Surrey REE SQE

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companies in France, with over €75m in consolidated shareholders'equity, € 4bn in assets under manage and almost 300 employees. In the context of our expanding business, we are looking for:

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Covering

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228.22. As a member of the fast-growing convertibles team, your role will be to sell European convertible bonds to international investors and play an active role in the group's

The successful candidates for the German and Italian positions will have at least two years' experience in either fixed-income or equity markets. The French post will require at least five years' professional experience in a similar role. These positions will suit career-driven team players. with confirmed sales skills. A command of French and English, as well as the language of the relevant country (i.e. German or Italian) is vital.

corresponding reference to : Henri ALLIEZ - ODDO & Cic -12, boulevard de la Madeleine - 75009 Paris - France.

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la order to support our continuing expansion we are seeking to appoint a manager for our German office based in Dusseldorf

The successful candidate will ideally have several years' experience in business intelligence, or the investigation and analysis of fraud gained in a financial, commercial or legal environment. Fluent/Mother Tongne German is a prerequisite and knowledge of other languages an advantage. Ideal candidates should also possess excellent interpersonal and presentation skills and show commitment to expansion, resourcefulness, drive

This is an opportunity to join an inspiring and challenging environment, involving work which is genuinely stimulating and which offers excellent

Interested individuals should send their CV's to Mile Stantard, Director of Operation at CDR International, 5th Floor Egginton Home, 25-28 Buckingham Gate, London SWIE 6LD.

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Chief Financial Officer

Reporting to the Chairman, the CFO will oversee all spects of Telecel One's domestic and international financial operations including develop presentation of the annual budget, appraisal of the organization's financial strength, dev establishment of relationships with financial Institutions and supervision of controller, treasurer and other financial staff in both the U.S. and

Successful candidates will have an MBA in Finance (or a related field) and superior communication skills in French. in addition, candidates must have at least 10+ years international preferably Africa) experience and availability for

with salary history to: Personnel, Telecel One Limited, 1889 Preston White Drive, Reston, VA 20191, fax: (703) 301-2605, or e-mail: personnel@intercel.net.



COUNTRY MANAGERS

RESPONSIBILITIES

REQUIREMENTS

Set up and manage the company structure Handle existing customers/contacts → Develop-the local market + Participate in the development of the group in the region

University graduate Minimum 7 year experience in sales of consumer goods (preferably electronics or gift items) in small or medium size Co Good management skill 8 a Entrepreneur a spirit Motivated to become a real partner, initially or in the

The Country Managers will report to our Europe headquarters (based in Paris). Possible travels in Europe and Asia.

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Position

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Cayman Islands

This highly successful retail and commercial bank, part of the regional financial services group Cayman National Corporation, wishes to appoint a President to head The Bank in The Cayman Islands.

Reporting to the Board of Directors and C.E.O. of the Group the position combines day-to-day management and control of The Bank and its six offices with the implementation and monitoring of a Strategic Development Plan.

The position calls for a qualified banker (ACIB or equivalent) with at least 20 years general banking and credit experience, including overseas experience at senior management level. Effective management skills which display an understanding of the regional culture and a commitment to become involved in the local community are essential. A minimum contract period of 5 years is

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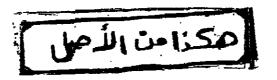
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FINANCIAL TIMES FRIDAY JANUARY 29 1999

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ACCOUNTANCY APPOINTMENTS

Recruitment Consultants

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The success of Michael Page reflects the quality, performance and commitment of all our consultants. In order to achieve our ambitious plans for future growth, we seek to recruit exceptional individuals to join our businesses across the UK.

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Interested applicants will need to demonstrate flair, energy, ambition, a sustained capacity for hard work and a desire to succeed in our culture of teamwork. In addition, the ability to develop and maintain relationships at all levels combined with excellent presentation and influencing skills are essential characteristics.

The remuneration package is designed to attract outstanding individuals and will include an upper quartile basic salary, substantial profit share and an opportunity to participate in the company car scheme after a qualifying period.

For further information, please contact one of our Regional Directors or write to them enclosing a curriculum vitae together with further information relevant to your application such as previous sales/recruitment experience, salary details and your preferred employment location. All enquiries will be treated in the strictest of confidence.

For London contact Gary Watson at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Telephone 0171 831 2000 (quote reference 403399). For Home Counties and South West contact Renny Hayes ACA at Michael Page Finance, 1st Floor, 33 Blagrave Street, Reading, Berkshire RG1 1PW. Telephone 0118 950 9671 (quote reference 403409). For Midlands, the North and Scotland, contact Paul Kinsey ACMA at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 60D. Telephone 0121 625 3380 (quote reference 403406). Alternatively, e-mail: garywatson@michaelpage.com

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The British Red Cross cares for people at home and abroad, meeting the needs of volumerable people in times of emergency. On 1 January 1998, The British Red Cross Society's 90 branches united into a single registered charity organised into eight regions with National Headquarters in Central London. Following this major restructs and the implementation of PeopleSoft Financials, we are now looking for three highly motivated finance professionals to join the team at National Headquarters to behind the control of PeopleSoft Financials, we are now looking for three highly motivated finance professionals to join the team at National Headquarters to behind the control of PeopleSoft Financials, we are now looking for three highly motivated finance professionals to join the team at National Headquarters to behind the control of the control of PeopleSoft Financials, we are now looking for three highly motivated finance professionals to join the team at National Headquarters to behind the control of the con develop and consolidate the benefits of untilication. Each role will report directly to the Finance Director and will require credibility, enthusiasm and business acumen.

Financial Controller

Responsible for a team of 12, you will assume control of technical support for the Society. You will have high level exposure to essential financial information to ensure continual development.

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Ref MPF3HAPO

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- Preparation of the annual budget (over £100 million) setting a framework to meet operational objectives and targets.
- Lead and motivate a team of Business Analysts located throughout operational
- Act as business partner to operational staff, educating and empowering colleagues. · Establish, monitor and review key performance indicators.
- · Ad-hoc projects, reporting to the Finance Director, Finance Committee and the
- Board of Trustees.
- ◆ Support Business Managers in contract bidding, negotiations and reporting.
 - Ref DM1MT0

London c £30,000 The Central Processing Unit is the engine room of the new finance system. The team of 20 staff will be responsible for centralising and consolidating regional information

Caring for people in orisis

British Red Cross

- Member of the strategic Finance Management Team. Management and control of financial processing (including ledgers, credit control and payroll).

Head of CPU

- Managing the PeopleSoft helpdesk and systems development.
- Maximising the range and impact of the CPU on operational areas in the Society.
- Identifying new initiatives and implementing change. Ongoing involvement in process change and supporting CPU staff.

Ref MTIAW

Candidates will be able to demonstrate a full accountancy qualification, tenacity, initiative, substantial achievements to date in either the profession, in business or in the voluntary sector, systems skills and effective communication skills. Interested candidates should contact David Morgan at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293. e-mail: davidmorgan@michaelpage.com The British Red Cross Society and Michael Page Finance are committed to

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organisation to the architects of its future. This transformation may involve personal coaching for the Finance Director; skills building workshops for the new finance leadership team or the development of a competency framework for a newly outsourced finance shared service centre. You will develop training strategies and needs assessments as well as design and deliver workshops and evaluate the

neturn on training investment. Preferably you'll have first hand experience of leading major changes in systems, processes or behaviour within the finance function of a blue-chip multinational. In fact, you will have already proved you can consult and 🕟 influence at senior levels, solve complex business problems and have led your team through the change process. Now you're looking for a bigger stage to develop your expertise.

With your ACA or CIMA qualifications and at least 5 years' post qualification experience as a finance professional, you have credibility and a belief that your knowledge could be of real value to: other organisations.

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Finance Manager - Poland

RR Donnelley & Sons Co. Is a world leading commercial printing company headquartered in North America. The company provides printing and related services to the merchandising, magazine, book, directory, financial and bealthcare markets. Quoted on NYSE, the company employs around 26,000 people worldwide and in 1997 reported sales of US\$ 4.9 billion. The company recently announced a \$1.00 million expansion plan in its operations in Poland to further strengthen its position in Central and Eastern Europe. RR Donnelley currently seeks to source a profes ance executive for their European operations in Amsterdam. The saltable candidate will report to the European Finance Director based in the European bead office in Amsterdam, RR Donnelley is an Equal Opportunities Employer

Amsterdam/Krakow

Tasks and responsibilities:

- Active member of the European and Polish finance team that prepares and translates the financial strategy to support the company's growth.
- Budgeting, forecasting, cash flow modelling, statutory and periodic reporting, European consolidation, strategic planning and cost estimation analysis.
- Financial evaluation of potential acquisitions and/or Set-up, improve and standardise the structure, IT
- support systems, procedures and processes of the finance department. Liaise with external auditors, tax authorities, fiscal and
- legal advisers and banking institutions.
- Act as the company's financial conscience.
- Profile of the suitable candidate:
- University degree in business economics, accounting or finance, preferably with an additional post graduate. CPA/ACA, or MBA qualification.

Excellent Package

- Minimum two years proven experience in an international finance role or Big 5 background.
- Strong organisational, results oriented, analytical skills, able to manage a portfolio of strategic and
- ◆ Computer and systems literate, experienced with automated financial systems, Hyperion and Scala would be an advantage.
- Must be fluent in Polish and English, both written
- Possess diplomacy, business acumen and good presentation skills to effectively operate at executive management level.

If you are interested in applying for this outstanding opportunity, please send or e-mail a comprehensive curriculum vitae and accompanying letter to Donna Turner at Michael Page Finance, World Trade Center, Strawinskylaan 1057, 1077 XX Amsterdam, The Netherlands, quoting reference DT/56071. Telephone 00 31 20 578 9444 or fax 00 31 20 578 9440.

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With an outstanding track record of growth and an impressive blue-chip client base, this thriving company is poised for an exciting period of expansion. The business has consistently delivered successful and innovative software projects and is currently driving strategy in the field of e-commerce. The company operates from offices in the UK, New York and India and has grown as a direct result of their unique culture. This is based on the strategy of attracting the best people and offering them continued development within an environment that is both highly professional and yet remarkably informal.

As a result of this growth, a new post has been created to take a leading role in the development of the organisation. Key activities will include developing management information systems across the global business and preparing the company for flotation. Additionally, the CFO will

contribute to strategic planning and maintaining financial controls within an environment that emphasises decentralisation.

The successful candidate will be a qualified accountant with approximately five years post qualified experience. Personal credibility will be key and individuals will relish the opportunity to drive change in a challenging environment, as well as demonstrating strong leadership and organisational skills. Exposure to a UK or US flotation, ideally within a service industry, will be preferable. International travel of around 20% is a requisite.

To register your interest in this exciting apportunity. please forward a full CV to Neil Hughes at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Telephone 0171 269 2442 or fax 0171 242 1020, quoting reference 478940.

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Financial Controller

some of the capital's most prestigious commercial and residential property in Cheisen, including large parts of Sloane Street and the Kings Road with a value in the region of £900 million. Clear visi further development have created a challenging and stime

London

As a result of internal developments, a Rhancial Controller is required to both control the day-to-day finance function and also to review current business practices. Managing a small but dedicated team and reporting to the Finance Director, your duties will include:

- · Preparation of budgets, cashflow and profit forecasts and annual statutory accounts.
- Improving links between finance and other key areas whilst overseeing and monitoring accounting and
- Development and enhancement of a newly implemented accounting system.
- Analysing and reviewing procedures, recommending changes where necessary.

to £50,000 + Benefits

◆ Ad-hoc reporting and preparation of Information for the Board.

The successful candidate will be a qualified accountant with 2-5 years post qualification experience, gained either in commerce or the profession.

In addition, it is important that you have the ability to work within a well established team and communicate with people at all levels. Strong PC skills are essential and whilst previous property experience would be an advantage, it is not essential.

interested applicants should send an up-to-date curriculum vitae, quoting ref 482182, to Simon Bell at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, fax 0171 831 8746, telephone 0171:269 2448, e-mail: simonbell@michaelpage.com

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Financial Controller

Glasgow

c £50,000 + Significant Bonus

Our client is a dynamic subsidiary of an American listed company. It specialises in customer relationship management solutions dealing with a blue-chip client base. Through sophisticated call centre technology and processes, the company is able to add value through management of the complete customer interface.

From a recent start in Scotland, our client has significantly developed its business and is now ready for a period of further growth. It is looking to grow both organically and by acquisition.

The company is currently seeking a Financial Controller who will play a critical part in long term development. Working closely with the Chief Executive supervising a small team, he/she will take full responsibility for all financial matters. Additionally he/she will play a full role in the

 Analysis of all potential new business and negotiating future contracts.

- · Regular reviews of existing business, assessing profitability and customer satisfaction.
- · Strategic involvement in the direction of the company, playing a full role in its development including pan-European mergers and alliances.
- Senior level reporting within the US headquarters group.

Candidates will be qualified accountants with an impressive academic background. They should have already had exposure to analysis and decision support ideally within a fast moving PLC. They should be capable of adding value throughout a business and be fully aware of servicing client needs.

Interested candidates should apply to Sandy Bell, Regional Manager, Michael Page Finance, 150 West George Street, Glasgow G2 2HG. Fax 0141 331 1426. Reference number 478357. e-mail: sandybell@michaelpage.com

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Commercial Finance Manager

both its products and outlets. Premium brands such as London Pride and ESB are fundamental to achieving projected growth and supporting the exploitation of new market opportunities.

West London

This key position forms part of the senior ment team which governs the strategy of the Beer Company, one of the three operating divisions. You will be expected to challenge existing practices, drive through change and thus enhance profitability. As well as overseeing the monthly reporting process you will develop production and sales plans, provide incisive management information and conduct customer profitability reviews. Prospects within the business for high achievers are superb.

The successful candidate will be a highly computer literate accountant with at least five years post ... qualified experience gained within a manufacturing

c £45,000 + Car + Benefits

or related background. Previous experience of change management and involvement in commercial projects would be an advantage.

The role will require an effective communicator and a resilient character, together with evidence of a proactive and self-motivated style. Staff management experience is essential.

Interested candidates should forward a curriculum vitae with details of current remuneration to Martin Dowson at Michael Page Finance, Page House, 39-41 Parker Street. London WC2B 5LN, fax 0171 242 1020, quoting ref 479394. e-mail: martindowson@michaelpage.com

Michael Page

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Divisional Financial Controller

Kent

c £40,000 + car allowance + bonus

Our client, a leading European transport Pic, with a turnover of £600 million, is currently going through a period of development and expansion within a competitive and dynamic marketplace.

finance team. Reporting into the Group Financial Controller, key responsibilities will include Key involvement in the commercial aspects of the business paying particular attention to

the Management Information Systems.

commercially focused professional to join the

A requirement has been identified for a

 Ensuring that the management Information produced by the department facilitates effective decision making by line managers.

procurement, capital expenditure and cost

 Provide input to the Head of Business Services upon all aspects of the financial status of the division.

Suitable candidates will be ACMA or CIMA qualified accountants who possess costing experience gained within a heavy machinery manufacturing or supply chain environment, Furthermore, candidates should possess a strong mix of technical and commercial based skills, combined with high levels of motivation, credibility and confidence,

If you feel you have the ability to contribute to our client's ongoing success, please send your CV along with current remuneration details to Alistair Robinson or Huw Rothwell, quoting reference 479812, to Michael Page Finance, Cygnet House, 45-47 High Street, Leathernead, Surrey KT22 8AG. Telephone 01372 375661. Fax 01372 370101. e-mail: alistairrobinson@michaelpage.com

Michael Page

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Focusing on Clients Life Assurance **Specialists**

Our global financial services practice is rapidly expanding to meet its objective of doubling in size in less than five years. Our strategic focus on clients, linking assurance and advisory services, has led to significant audit wins and our advisory practice has more than doubled in the last year. Our success has created an opportunity for Life Assurance Specialists in

City

With a focus on personal achievement you have the apportunity to Join us and fashion your own workload within a supportive environment. Your personal development will be our priority to see that you achieve your ambitions. whether they are almed at partnership in the short or medium term. Your responsibilities will include:

- Managing a portfolio of clients on assurance and
- · Development of products and services for the life essurance marketolace co-ordinating with our regulatory, actuarial, tax and advisory specialists.
- Technical research into the market place and regulatory
- Development and implementation of marketing plans.
- Servicing and developing international opportunities. Training and developing of our resources.

Remuneration packages will be commensurate with experience and your potential.

interested applicants should forward a full curriculum vitae to our retained consultants, Jim Richardson ACA and Colin Hawkins at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or telephone

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Successful candidates will be ambitious qualified

You will have a first class technical knowledge of

regulation and accounting matters with a variety of

to display a client focused approach and excellent

accountants probably working in the profession with a

minimum of three years post qualification experience in the

experience of assurance and advisory work. You will need

communication, presentation and self management skills,

0171 269 2238, fex 0171 831 6662. Please quote ref 478165, e-mail: mpf.abs@michaelpage.com

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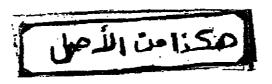
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Global Telecoms

Chief Financial Officer

Exceptional opportunity to join a world-leading global satellite communications company, headquartered in Washington DC, serving customers in some 200 countries and producing revenues of \$1 billion. The business is

Washington DC, serving customers in Some 200 countries and producing Features 6.75 stringest customers, and currently owned by the major international telecontain carriers which are also among its biggest customers, and plans to move towards full commercialisation within three years. Product role at the strategic and commercial plans to move towards full commercialisation within three years. Product role at the strategic and commercial plans to move towards full commercialisation within three years. Provide first-class financial support of this dynamic group, working closely with the CEO, the challenge is to provide first-class financial support of this dynamic group.

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dership to a diverse cultural mix of people

M An accountant ideally with an MBA and 15 years' experience in a broad range of senior finance positions in major international organisations. Understanding of

Executive presence, convincing at the most senior levels ment; a first-class communicator inside and of management; a first-class communicator inside and outside the company. Highly motivated and dynamic; a

A troop strategic travelers and player with a strong and robust personality, capable of thriving in a fast-changing and exciting environment. Able to provide

oms world an advantage.

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LONDON

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ngst its clients some of the world's most prestigious corporations.

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- a reviewing and making recommendations on a variety of issues, including acqui

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ROBERT WALTERS ASSOCIATES



Finance Director

Major UK charity

c.£60.000 + Car

London

Important strategic role in high profile charity concerned with the welfare of a vulnerable sector of the community.

QUALIFICATIONS

Qualified accountant with record of success and

Effective manager and motivator with experience of a broad range of relevant functions.

◆ Commercial perspective whilst having empathy with the

establish credibility within the charity and represent it externally.

Strategic approach with flair and imagination.

aims of a very worthwhile 'people' charity .

ent at senior level in a commercial environment.

rimunicator with presence and authority, able to

THE CHARITY

- Well established with circa 2000 employees and an annual Work closely with the Chairman and Trustees and act as Company Secretary. income of more than £60 million and growing. Financially
- Network of offices and facilities in the UK with considerable Provides wide range of practical assistance and advice;
- campaigns on behalf of its sector. THE POSITION
- Board appointment reporting to Director General and making a major contribution to the strategy, policy and
- Manage a team of 70 staff through Heads of Department for Finance, IT, Human Resources and Administration

Please send full cv, stating salary, ref PS201218FT, to NBS, 54 Jermyn Street, London SWIY 6LX Fax 0171 495 1383 Email mikec@nb-selection.co.uk Tel 0171 493 6392

Finance Director



c.£55,000 + Bonus + Car

North West

ITS is an established provider of professional computer services to customers operating in the energy, health and utilities sectors. A wholly owned subsidiary of BNFL pic, it employs some 500 staff across 7 locations in the UK. Currently experiencing considerable growth, the business requires a commercially astute finance professional to continue current successes into the new millennium.

THE POSITION

- Influential role supporting strategic planning and operational
- decision making in the company.

 Work across functions to optimise efficiency and man profitability. Spearhead the implementation of ongoing business initiatives to ensure best practice.

NB Selection

- Report to Managing Director. Lead, manage and develop the
- **OUALIFICATIONS**
- Graduate calibre and qualified with a proven track record in fast moving service sector companies - ideally in the IT
- Strong technical competence combined with the ability to respond to wider business issues. Computer literacy essential. M&A experience an advantage.
- Lateral thinker and adept team player. Excellent interpersonal skills. Proactive, 'can do' approach.

Please send full cv, stating salary, ref MN201149FT, to NBS, Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP Fax 01625 539801 Email carokn@nb-selection.co.uk Tel 01625 539953

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can offer a wide range of career opportunities and specialist advice.



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Excellent compensation

Reporting to the Chief Executive, playing a key business and commercial leadership role within the top team of the company, making a significent input to corporate

Ensuring an excellent working relationship with the company's global investors and partners, based on first-class financial information and co-operation; preparing the company's financial systems and structures for future funding needs.

Directly responsible for the functional quality and performance of the company's finance team, overseeing treasury, financial control, budget-setting and performance monitoring. Focus on enhancing risk.

Tel: 0171 298 3333

WORLDWIDE **BUSINESS REVIEW**

London Excellent Packages

E D & F MAN GROUP PLC

E D & F Man is an International company with two principal businesses: the supply of agricultural products and the provision of financial services. The Group's origins date back more than 200 years to the original sugar business and the intervening years has seen the group consolidate its' position as one of the worlds' principal suppliers of sugar, cocoa, coffee, edible nuts and spices to

Washington DC

international branded food and beverage manufacturers. The acquisition in June 1997 of Cargill's worldwide molasses business also established them as a leading trader and distributor of mola Their incernational brokerage and specialist asset management businesses offer institutions and other clients the benefit of Man's experience in the commodity and financial markets. As a clearing member of the major exchanges worldwide, Man has access to all futures markets and also operates for its' clients in the interbank foreign exchange market. In May 1998 the acquisition of

the brokerage accounts and relationships of Gerald Financial Group ensured Man's entry as a Ring Dealing Member of the London Metal Exchange. Today the group has a global focus employing some 4,000 people in more than 60 countries. Continued expansion and internal promotion mean that Man now seek to recruit further individuals to join the Group Internal Audit department.

This high profile team supports Group and divisional management responsible for worldwide operations by assisting in the performance of Business Review and other ad hoc assignments within both the agricultural and financial services businesses. All work is risk focused and requires the identification, verification and implementation of business objectives. The department also takes responsibility for post acquisition reviews, and business process reviews and undertake dmenos to internazional lane roles on a regular basis.

Based at Sugar Quay in the City of London but with scope to relocate globally, candidates should be graduate accountants (ACA, ACCA, CIMA with up to 5 years pge) or recently qualified MBA. Fluency in a second language is preferred and candidates offering Spanish, Portuguese and Eastern European sidils will be of particular interest. Management Consulting and Corporate Finance experience are desirable and candidates must possess the personal credibility to work with management and staff at all levels. Willingness to undertake a very high level of travel is essential as is a flexible and hands-on approach.

A first class benefits package is offered to attract future senior management within the UK

and on a global basis. ed candidates should forward their CV to: Michael Winfield, Winfield Ward Search & Selection Limited, Merevale House, Parksho Winness was Search as Security and Search an

AerRianta **HEAD OF FINANCE**

Aer Rianta, the Irish Airports Authority, wishes to appoint a Head of Finance responsible for the overall development, direction and management of its Finance function. Aer Rianta is a major, commercial company responsible for the development and management of Dublin, Shannon and Cork airports, as well as substantial airport interests and retailing operations overseas. It employs over 2,400 personnel and its activities include airport management and operations, retailing, property development and car parks. It also owns and manages the Great Southern Hotels group. The combined activities of the group have a

The person appointed will be a key member of the senior management team in the company and will be responsible for all aspects of the group Finance function including financial planning, treasury, financial forecasting and control, systems development and capital investment plans. The successful candidate will be expected to contribute dynamically to the development of strategic initiatives in a period of massive change and opportunity for the company.

turnover of some £250 million.

The ideal candidate will be professionally qualified in a relevant discipline. He/she will have an outstanding record of achievement in a large commercially driven organisation. Personal

competencies of achievement, drive, analytical thinking and communications will be critical. Other essential skills will include the ability to lead and facilitate change both in the Finance function and throughout the company.

The position carries an attractive remuneration

package which will be discussed at interview.

Please write, stating how you meet the requirements and enclosing a C.V. to Eamon Drea, Hay Management Consultants, Newmount House, 22/24 Lower Mount Street, Dublin 2, Ireland, quoting reference 50095.

Aer Rianta is an equal opportunities employer.

HayGroup



GROUP FINANCIAL DIRECTOR

Spearhead strategic international growth Substantial six figure package

Ross Breeders Group is a newly formed holding company and is the result of an innovative £100m venture capital project by BC Partners. It brings together three highly successful operating companies from the UK, America and Germany – and a trading arena that covers 70 countries throughout the world. The business is leading edge poultry breeding. The stature is world class. Add to this a radical expansion strategy - and you begin to get the picture.

We need a truly exceptional individual to lead Group Finance activities and make an immediate contribution to future growth, development and profitability. Working alongside the Group Chief Executive there will be a need for strategic vision and entrepreneurial flair, as well as a strong background in international currency hedging, interest cost management, risk and other treasury matters.

Large scale Group experience is pre-requisite. You could currently be an FD within a substantial manufacturing or distribution group. Alternatively you could be an MBA with a background in investment banking or treasury management for a group of companies. Either way you'll be a inspirational leader with the ambition, credibility and flair to make it happen.

You will be based at ingliston, near Edinburgh. A substantial executive package is offered, including a first class salary, bonus, company car, Bupa and pension.

Informal discussions are welcome. Contact John Ewart, Group Chief Executive on 0131 333 1056, ext 133.

To apply, please send a comprehensive CV to: John Hogarty, Personnel Consultant, Ross Breeders, Newbridge, Midlothian EH28 8SZ, Scotland.



Partners 1

As the world's leading distributor of electronic components Arrow has achieved success service, innovation and a quality approach. We have built an enviable reputant company with a global presence and a culture which is g

With a turnover in excess of \$8billion, the Arrow Corporation employs 9,000 people, with a global presence spanning 33 countries ented in every continent. The European area comprises of 3 regions - Central, Northern and Southern. Northern Europe is the largest player with a turnover of \$1billion, 1,600 employees and 28,000 customers across 8 countries trading in a multi-currency environment.

Director of Finance

Northern Europe

This is an outstanding opportunity to develop productive relationships with people at all levels across a wide range of cultures and establish best practice to ensure maximum performance.

In this newly defined prestigious role, your brief is to work closely with the MD Northern Europe, who reports directly to ie CEO of the Corporation, and produce high quality, timely, accurate and meaningful data for our Senior Executive team. A tural mentor with inimitable style, you will inspire, influence and harmonise the regional finance teams through a visionary approach to operational/MIS issues and long-term business objectives.

We are seeking a Graduate qualified accountant with at least 8 years broad-based post qualification experience gained in a distribution, FMCG or other fast-paced, high-transaction environment. Highly energised with a significant record of achievement in a Senior European role, you have well developed commercial, management and prioritising skills, excellent powers of persuasion and the ability to manage change effectively and undertake special projects. Experience of acquisitions is essential and a second language would be preferable.

The role entails frequent travel and will undoubtedly lead to career progression across Europe or the USA in the longer term, therefore you must be mobile and able to relocate. The salary and benefits package will reflect the status of this senior position.

Please send your personal and career details in confidence to Harriet Green, Managing Director, Arrow Northern Europe, St Martins Way, Cambridge Road, Bedford MK42 OLF, UK. Tel: +44(0)1234 791449. Email: northerneurope@arrowuk.com www.arrow.com

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prospects for international audit professionals. Our client, a US \$4.6 billion Fortune 500 industrial company has operations around the world, but .it's their Woodland Hills headquarters, in one of the most attractive areas of California, that presents the brightest proposition for the two Chartered Accountants they are keen to recruit.

You'll conduct acquisition and divestiture reviews, together with audits of operations spanning industry sectors including commercial, marine, defence and information technology. Working closely with all levels of management, you will also evaluate and improve internal controls and procedures. You'll spend around 40% of your time travelling throughout the USA.

Your one to four years' PQE following your ACA will have been gained within a major UK audit practice, preferably one of the Big Five. Although international

The sunshine state is offering the hottest experience is not mandatory, it's important that you have the international mindset, capacity for lateral thought and the advanced interpersonal skills required to propose workable solutions and defend your recommendations in culturally diverse environments.

> You'll find that Corporate Audit presents a first-class training ground for long-term career enhancement and success here will present many on-going opportunities to move on to other roles within the organisation, in addition to an attractive salary, you will enjoy relocation assistance which will cover visas and work permits.

Interested applicants should apply to Robert Macmillan stating current remuneration and quoting reference number UKR110355 at Nicholson International (Search & Selection Consultants), Bracton House, 34-36 High Holborn, London WCIV 6AS. Alternatively, fax your CV on 0171 404 8128, or e-mail: vanessa_jonas@nicholsonintl.com



Major European Financial Institution

City - To £55k plus bonus and other banking benefits

■ Our client is a major force in the international banking arena with a presence in 23 countries. It has a long tradition of success in equities markets around the world and its record in major privatisations is second to none. Our dient is seeking to strengthen its analytical expertise in the finance function by making the following appointments.

Financial Processes Consultant

■ In this new role the appointed candidate will lead key initiatives to improve the effectiveness of the finance control function. These include establishing BPR review teams aimed at re-designing key finance processes; creating internal performance productivity measures of the finance control function and benchmarking with competitors and preparing strategic analysis for the global investment bank.

■ Preferably educated to MBA standard, candidates will be qualified Accountants who can demonstrate a detailed understanding of key financial processes, constraints and drivers in the financial services/securities industry as well as possessing a thorough understanding of activity based accounting frameworks. Ref. PM327.

Senior Business Analysts – **Global Technology Control**

■ These are client facing roles acting as the primary interface between Global Technology Control. Global IT directors and the front and back office. Following an extensive relationship building process with senior management, the appointed candidates will be expected to develop a thorough understanding of IT strategy and delivery in order to provide added value management information to IT management and the business. A key aim will be to provide effective performance measurement of the IT function in order to prove business value.

■ Suitable candidates will be qualified Accountants with at least three years' PQE in a blue chip environment and some experience of IT control, ideally within the financial services sector. To gain the confidence and support of the business, candidates will need to demonstrate excellent relationship management skills. Ref. PM328.

To be successful in either of these opportunities, candidates will be self-starters who possess excellent leadership and communication skills with a demonstrated ability to be effective

To apply for either of these opportunities please send your CV together with current salary details to Paul Modley, Ernst & Young Executive Search & Selection Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting the appropriate reference number. Fax 0171 931 1022 or

ernsty.co.uk Alternatively, contact Paul Modley or Navin Raina on 0171 931 1005 (day) or 0956 110 543 (eve) for an initial discussion.

■ Ernst&Young

The United Kingdom firm of Ernst & Young is a member of Ernst & Young International

Financial Controller International Contracts Management

A major international materials handling company, designing, specifying and installing state-of-the-art systems for a wide range of client companies. Dynamic and substantial growth is planned for the immediate future and this role will be pivotal to the company's success.

- Develop and maintain a secure and reliable reporting and control environment for three operating units.
- provide financial expertise and support in evaluating and monitoring contracts. Provide commercial advice to the senior

Work closely with the sales and project teams to

management team to improve profitability and cash generation.

- · A qualified accountant with at least ten years' experience some of which must have been gained in a contract/project based environment
- · A strong commercial sense and the ability to contribute to the business as a whole.
- Well developed interpersonal and communications abilities, willing to travel extensively.

Please write in confidence, with full career and current salary details, quoting reference FAB/1568

Tel: 0171 499 8811 Fax: 0171 670 3410

Tel: +44 171 873 4095

e-mail stephensr@odgers.com ODGERS EXECUTIVE SELECTION

7 Curzon Street, London W1Y 7FL

Highly Competitive Package

Reiss is a dynamic new force in the design, marketing and retailing of high-fashion menswear clothing. Crowned 'FHM Menswear Retailer of the Year' for 1997, the Group is currently implementing an aggressive plan for national and international expansion.

As part of a major programme to improve the efficiency of financial and management reporting systems across the Group, we are now seeking a highly motivated and exceptionally capable finance professional to take responsibility for the ongoing development and implementation of this programme. The successful candidate will join a small innovative and proactive team responsible for all aspects of financial management and control of

A key element of this challenging, hands-on role will be the development of infernal accounting controls and management reporting systems, with particular emphasis on providing quality financial information on a timely basis to guide the Group's expansion plan.

This appointment requires a high degree of dedication and commitment, and is best suited to someone who excels in a fast moving and demanding environment. The successful candidate will be a qualified Chartered Accountant (or equivalent), with a proven track record in a retail environment, ideally, he or she will have a minimum of three years retall experience.

The company offers a very generous and comprehensive remuneration package, together with exciting career development opportunities for the right candidate.

Please send full personal and career details, including current remuneration and daytime telephone number. in confidence to Darren Reiss, Reiss (Holdings) Limited, The Reiss Building, 114 Kings Road, London SW3 4TX, Fax 0171 225 4901.

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CIMA Passed Finalists List

Monday February 15

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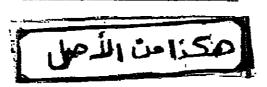
Our UK Educational Division publishes a large range of books and courses for schools. including the widely used Oxford Readin Tree, and a broad and highly regarded list for

children and young adults. We are looking for a qualified accountant with broad post-qualification experience to make an immediate, enthusiastic contribution to the team managing this successful and

Reporting to the Divisional Managing Director, you will be working with your

fellow board members to promote efficiency, profitability, and financial control. You will be managing your own small team including an IT specialist and an inventory control group. Keen business instincts, cultural sensitivity, and strong interpersonal skills are essential. Success in this role will come through building sound working relationships with publishing and other colleagues within the business, as well as with fellow finance professionals in the wider organization. Experience in publishing, while not essential would be an advantage.

We offer good long-term career prospects and an excellent benefits package, including assistance with relocation where appropriate.





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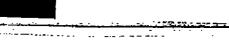
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FINANCIAL TIMES FRIDAY JANUARY 29 1999

IT Appointments



EXCELLENT CAREER OPPORTUNITIES SAP - MANUGISTICS

COMPETITIVE PACKAGES

BASED: THE NETHERLANDS, FRANCE, BELGIUM, GERMANY

THE COMPANY: Our Client is one of the few truly international world-leading cosmetics and fragrance companies. Its success is built on its philosophy to empower individual and team, on flexible thinking and behaviour, on the highest levels of innovation, on commitment to the team and the company, on high energy levels and on the process of constant learning. They are undertaking the implementation of a Business Process Re-engineering (BPR) moving in a horizontal process-oriented structure. To support the Re-engineering, SAP has been selected. A new complex to house a fully integrated European Shared Service Centre and Central Distribution will redesign the future of this Company. You will enjoy the diversity of different nationalities who actively encourage cross-cultural thinking. The working language is English, in addition any and all European languages are welcomed. To respond to rapid growth and projected expansion in building an IT group, they are seeking dynamic individuals with team spirit and strong communications skills to work in this exciting environment.

APPLICATIONS SUPPORT DIRECTOR (Ref: FT 3280)

THE ROLE: Reporting to the Vice President, ERP Operations, you will:

- be of vital importance upon the start-up of the new ERP system, provide general application management support once implemented and coordinate development and integration of key bolt-on technologies to the core system
- provide management guidance to junior members of the core configuration team and insure that business processes within a vertical function are configured and implemented
- plan programming efforts in conjunction with the Application Service Management team THE PERSON: The ideal candidate should:
- have expertise in SAP, Manugistics or other bolt-on technologies
- have analytical skills and the ability to easily communicate in both business and technical terms · have extensive experience implementing an ERP solution
- have business knowledge in a variety of industries (FMCG or Cosmetics would be a plus)

SUPPORT SERVICES DIRECTOR (Ref: FT 3281)

- THE ROLE Reporting to the Vice President, ERP Operations and leading the support organisation, you will:
- be primarily responsible for the technical assistance to the ERP application
- deliver through your internal organisation and third party vendors a full range of services including technical services, in-country support analysis, Help Desk, Training Services Tools, EDI, Intranet/Internet site services
- coordinate support activities with the roll-out of the ERP system across Europe
- ensure top quality service through ongoing measurements and productive improvement plans THE PERSON: The ideal candidate should be experienced:
- in leading a team of technical support managers and outsourced services
- in managing EDI services and their integration with large scale ERP systems such as SAP and Manugistics with NOS, Desktop Operating Systems, Frame Relay communications, TCP/IP transport protocols,
- in implementing Internet/Intranet technologies, establishing best practices in testing new software and managing security policies and procedures

QUALITY ASSURANCE DIRECTOR (Ref: FT 3282)

- THE ROLE: Reporting to the Vice President, ERP Operations, your responsibilities include:
- management of QA Testing Services, Production Scheduling, Security and Profile Management and Production Transfers together with management of the ongoing quality testing software enhancements
- operation of a newly implemented ERP system that includes both Manugistics Demand and Supply Planning, Manugistics Transportation Management, SAP and a variety of bolt-on systems that include Warehouse Management and Sales Force Automation applications
- ensuring the quality of new functionality and software changes being brought into a production environment and that each component software module, including interfaces, is tested and transferred into a production operating environment
- developing security and profile management policies and executing those policies via an outsourcer ensuring that production schedules are developed and processed per user requirements

THE PERSON: An excellent communicator, well versed in the management of security policies and procedures, the ideal candidate should have:

- prior knowledge in the delivery of technical information systems within the UNIX and Windows NT operating systems as well as expertise in SAP and Manugistics
- extensive functional experience within ERP applications and its related technologies, with NOS such as UNIX and NT, Desktop Operating Systems such as Windows 95, 98 and NT as well as Frame Relay communications and TCP/IP transport protocols
- experience in implementing Internet/Intranet technologies, script capability with UNIX and Oracle, extensive knowledge in establishing best practice in testing new software
- experience in developing and controlling a production processing environment for a large company

DATA MODELLING DIRECTOR (Ref: FT 3283)

THE ROLE: Reporting to the Vice President, WW Architecture and supervising a team, you will:

- be responsible for Data Modelling worldwide by developing the information/data model that will be used as the template for the application and data designs of the future
- develop the key coding relationships of information, such as item codes, harmonizing these coding structures across the various legacy systems and defining the template for the ERP systems including Manugistics and other bolt-on technologies
- coordinate data integration of bolt-on technologies to the core ERP system

THE PERSON: The ideal candidate should:

- have a unique talent to develop business information templates
- have knowledge of the consumer products or related industry (FMCG or Cosmetics)
- · be at ease with internal customers, software and hardware suppliers and keep people 'in the loop' have expertise in SAP, Manugistics or other related bolt-on technologies and systems

You will...

be educated to degree level;

INFRASTRUCTURE DELIVERY & VENDOR RELATIONS MANAGER (Ref: FT 3284)

THE ROLE: Reporting to the Vice President, WW Architecture, your key activities include:

- development and implementation of the ERP system, specifically Manugistics Demand and Supply Planning, Transportation Management and SAP
- establishing relations with outsourcing companies to ensure complete understanding of service level agreements,
- contract compliance and service level delivery ensuring that NOS and Desktop Operating Systems are implemented according to standards as well as working with Country IT Directors in the implementation of a variety of technologies
- enforcing Year 2000 standards and ensuring compliance in internally developed software
- THE PERSON: With prior management and programming/analysis experience, you should:
- · have knowledge in the delivery of technical information such as the UNIX operating systems, NOS (Windows NT
- and Novell), Desktop Operating Systems (Windows 95, 98 and NT) and communication systems such as Frame Relay
- be experienced in implementing Internet/Intranet technologies and ERP systems
- have expertise in SAP, Manugistics or other related bolt-on technologies and systems
- have business knowledge in a variety of industries, ability to communicate both in business and technical terms

· have experience in managing a team of technical support analysts **DATABASE ADMINISTRATOR** (Ref: FT 3285)

THE ROLE: Reporting to the Vice President, WW Architecture, you will:

- be primarily responsible for ongoing development and support of Oracle Relational Database Management System (RDBMS) · provide general technical support in the implementation of the ERP system, ensuring database integrity, backup
- disaster recovery and database tuning · apply OSS patches to the SAP systems, establishing profiles and security policies in conjunction with the VP WW Architecture
- design and develop the Control and Transport System of SAP ensuring control of software objects with the

Enterprise environment as well as system stability in relation to the database THE PERSON: At ease with customers, suppliers and peers, the ideal candidate should have:

- a successful background in the development of large scale information warehouse technologies that utilise such tools as Oracle Sales Analyser (OSA), Oracle Financial Analyser (OFA) and other OLAP type technologies
- extensive UNIX experience and scriptwriting capability with UNIX and Oracle · the ability to thrive on change and have knowledge of the consumer products or related industry
- · extensive functional experience with an ERP solution and its related database management system

in-depth knowledge of Oracle as well as other RDBMS such as DB/400, SQL Server **APPLICATION SERVICE MANAGEMENT DIRECTORS (11 positions)**

THE ROLE: Reporting to the Vice-President, Process Improvement Management and leading a team of System Analysts, you will be:

- responsible for developing and configuring specific modules of the ERP system within the Financial and Supply Chain areas acting as the centre of expertise, reconciling business requirements with system functionality
- planning and coordinating the development effort, assuring the integration of bolt-on systems in the core ERP implementing the new solution, leading the conversion activity with legacy teams and training key users

Considering the broad scope of the ERP system, several positions are proposed focussing on specific applications which may be combined considering your personal interest and experience:

Supply Chain Positions

DEMAND AND SUPPLY PLANNING (MANUGISTICS)

(Ref: FT 3286) **PURCHASING**

(Ref: FT 3287)

TRANSPORTATION AND FREIGHT (Ref: FT 3288) **WAREHOUSE MANAGEMENT**

(Ref: FT 3289)

ORDER PROCESSING (Ref: FT 3290)

SALES FORCE AUTOMATION (Ref: FT 3291)

Financial Positions

REPORTING, SPL BUSINESS PERFORMANCE (Ref: FT 3292)

> **PLANNING / COSTING** (Ref: FT 3293)

ACCOUNTS PAYABLE / ASSET MANAGEMENT (Ref: FT 3294)

GENERAL LEDGER / CONTROLLING (Ref: FT 3295)

EXTERNAL INTERFACING / HYPERION

(Ref: FT 3296)

- THE PERSON: The ideal candidates will: · possess excellent communication skills in business and technical terms and be at ease with internal customers
- have successfully participated in the configuration and implementation of such modules
- demonstrate extensive functional experience within a given application (SAP, Manugistics or other bolt-on methodologies



Please forward your résumé with cover letter quoting the appropriate reference number on all correspondence. Applications will be treated in the strictest confidence. Antal International, 2nd Floor, 90 Tottenham Court Road, W1P OAN, England Tel: + 44 (0) 171 637 2001 Fax: + 44 (0) 171 637 0949 E-mail: cv@antal-int.com www.antal-int.com



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Systems

McGregor Boyall

Baring Asset Management is an autonomous business within the ING Group operating as a highly successful unit with over £25 billion assets under management and key investment offices in each major financial time-zone. The firm has an exceptional commitment to IT with a culture of open communication and targered management that allows positive interaction between IT and business areas. They are currently recruiting an experienced Business Analyst with a track record in delivering Fund Management performance systems.

- The role is to... provide business analysis for all performance calculation, analysis and reporting requirements, produce structured analysis to document use cases, data models, sequence diagrams and entity relationship diagrams as part of system development projects;
- work with the Head of Performance Business Unit, senior business users and systems development teams;
- have a minimum of two years' experience working with investment management performance systems and knowledge of WM and CAPS; um of five years' structured business analysis expe
- in a development project team, ideally with both package and in-house development projects; have worked on at least two major projects with direct responsibility
- he PC literate with MSOffice experience, any exposure to large client server based implementations with Select CASE Tool preferred. For further information, please contact Karen Higgins or Flons Wright on 0171 806 1420. Alternatively, please send your CV to McGregor Boyall Associates, quoting reference BMF1676, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. Email: cfinch@mcgregor-boyall.com or visit our web-site at www.negregor-boyall.com



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Excellent packages,

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 stock borrowing/lending and custodian activities
- asset management front and back office business akills, including private banking and institutional fund managem
- investment banking business and system skills metals trading, front office, risk management and
- business and systems knowledge of third party products, such as, Gioss, Kondor+, and Summit. In addition to the skill sets outlined, DoubleHelix requires professionals who are not only interested in working in a dynamic

consulting environment, but who have the desire and ability to participate actively in the development and growth of DoubleHeliz, in addition to their consulting responsibilities. Please e-mail CVs, including your contact number, to David Downie or Geoff Dixon at e-mail address:

settlement experience

DoublHX@aol.com Alternatively please write to DoubleHelix Software and Services Ltd, 1 Groveland Court, flow Lane, London, EC4M 9EH.

Tel: 0171 329 2517 (Fax: 0171 248 3687.)

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IT Appointments in the FT. Includes Developers, Business Analysts and Project Managers.

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QUANTITATIVE / RISK ANALYST

Our client, a major European investment bank and key player in FX and interest-rate products is currently looking to recruit two dynamic individuals for the following:

Quantitative Researcher

ROLE: Reporting to the Head of Quantizative Research, the role will work closely with other quantizative analysts to develop the mathematical framework for risk analysis under extreme scenarios across our FX and interest rate businesses. This will involve:

> Understanding and developing the full range of statistical theories to the bank's range of businesses, such as Extreme Value theory, and the modelling of correlation between market variables.

> Identifying and developing a risk measurement approach to enable the bank to monitor its business-wide extreme scenario risk (both market

> Developing code to calculate risk measures based on the above models.

EXPERIENCE: PhD in statistics or a Quantitative subject, and up to two years experience of statistical analysis.

Risk Analysi

An individual with a Maths/Physics degree (Post Doc. Preferred) along with 2-4 years trading or analysis background with a knowledge of FX

THE ROLE CONSISTS OF:

> Review and criticism of pricing models for FX & interest rate derivatives developed by trading units, both from a mathematical/theoretical perspective as well as of the implemented model in the bank's systems including, if necessary, review of the code.

> Review and monitoring of the exotic derivatives portfolios and for supporting the local risk managers in London, helping them to understanding the transactions and report the risk in the exoric portfolios.

> Define or evaluate and approve methodical approaches to be adopted for new products.

> Guarantee correctness and consistency of methodical approaches adopted for risk management purposes,

> Define or evaluate and approve default/full-back/interim solutions which might be necessary or desirable for technical or economical reasons.

This will focus on Pricing, Market Price Risk and Counter Party Risk.

Please contact Alex Blair on:



Tel: 0171 335 5890 0171 335 0008 Email: a.blair@huxley.co.uk

America House, 2 America Square, London EC3N 2AH

Director of Group IT/IS

Attractive salary plus benefits

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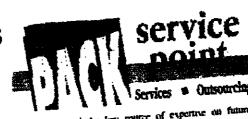
Our client is a major pan-European outsourcing provider of digital reprographic and office services with main bases in London. Barcelona and Milan. The company has experienced dramatic growth, both organic and by acquisition, including the

recent acquisition of UDO Holdings pic in the UK.

and now employs 1200 people across seven countries and less a termover of over £100 million, all of which has been achieved in 14 months. Following this considerable growth the company now wishes to appoint a Director of IT/IS worldwide to be based in one of the above cities, according to the successful candidate's

The role will be a strategic, operational and commercial one. Key onsibilities will include review of the current !T provision and devising and implementation of a strategy to integrate the company's IT services across the European continent, to provide a hands on service for each individual unit and develop with the key staff the service provision for maximum efficiency and benefit to the business from MIS/IT. In addition the Director, 25 part of the senior management team, will be an important contributor to the development of technology based services

KPMG Selection & Search



within the group and the key source of experime on future technologies on which the company can base its future service

A graduate (preferably with an MBA) with at least four years experience of managing a significant IT function, the successful candidate will be highly commercial with in depth experience of project management. IT systems strately, and budgetary control. ong technical and commercial skills will be required, as well as people management skills. Expenence of outsourcing in a client server and/or distributed environment with hands on knowledge of nerworks, Windows NT, UNIX'ALX and leading database rechnologies will be necessary. The ability to mandate commercial requirements to efficient IT service provision is a key

If you have the technical as well as the managerial ability. feature of the role. combined with commercial scumen, and experience of managing in a distributed environment, preferably on a pan-European basis, please send your CV together with details of current remmeration and preferred location to: Bernard Grant, at KPMG Selection & Search, 1-2 Dorset Rise, London ECAY SAE, Fax number: 0171 311 5872. E-mail: bernard.grant@kpmg.co.uk

IT BANKING PROFESSIONALS

PROJECT MANAGERS

Project your vision...

Our Client is a major international bank operating in Global Markets. A market leader in its sector, it is delivering a new systems strategy which will position the bank for the ennium. The delivery of this key strategy has resulted in a number of career nities for Project Managers to be

Project Manager -General Ledger

An experienced Project Manager is required to inplement a new general ledger system. This new solution will replace a number of existing accounting systems, by using the latest technology and application software. This will result in a high degree of flexibility for the group, supporting its changing and

You will ideally have an accounting background with experience of managing a major implementation of a general ledger system for a financial institution, This experience will be complemented by prover project management skills and structured methodologies to ensure successful delivery Experience of SAP or GEAC SMARTSTREAM

Project Manager -Middleware An experienced Project Manager is required to manage the implementation of a middleware solution.

This new solution will standardise the interfaces and the transfer of information between different systems in the group. This will result in standard messaging both internally and externally, enhancing cation capabilities to be more

efficient, more effective and easier to change.

You will have experience of managing major

projects, implementing sys which demands an unders systems integration and data rational ally experience of NEON, MINT or

Both of these roles demand an experienced and professional individual with excellent mication skills as you will be working with many different divisions across this group. These apportunities provide excellent ure to the latest systems and technologies as well as working with a fast moving organisation offering excellent

CLOVERLEAF would be useful.

Please send your CV in confidence to: Alan Summers quoting reference FT01990 at SQH Consulting Limited, Lloyds Avenue House, 6 Unyds Avenue, London EC3N 3AX.

Tel. (0171) 481 1171. E-mail - alan@shconsulting.co.uk

IT BANKING PROFESSIONALS

PRINCIPAL CONSULTANTS Delivering the best, to the best

Our client is a blue chin international corporation with a well respected and ing consultancy practice. Its clients include major banking and financial institutions worldwide, it has successfully established itself as a major player, competing and winning business from the ditional consulting firms which has esulted in the need to identify Principal Consultants to build on this success.

and deliver new initiatives, you will have responsibility for a portfolio of clients. with multiple assignments and projects.

This is a key high profile position. It demands skills in managing people, managing client relationships and managing the development of the business.

You will be with a major consultancy firm, software house or bank providing solutions for treasury, capital markets, derivatives, fixed income and equities with experience of delivering major projects or initiatives in one or more of

Front End Trading Systems

• Risk Management

the following areas:

 Asset Management Middle Office

Back Office Settlements Systems

Well respected within your current role. you will also be highly regarded by your peer groups both personally and

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Please send your CV in confidence to: Alan Summers quoting reference FTO199C at SEH Consulting Limited, Llayds Avenue House, 6 Llayds Avenue, London EC3N 3AX.

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BANKING FINANCE & GENERAL APPOINTMENTS

The megawho behind the megawatts

Financial Analyst

PSEG Global is one of the fastest growing independent power developers in the world. As part of the Public Service Enterprise Group of energy companies we bring a heritage of over 90 years in the business of electricity

generation, transmission and distribution as well as gas supply and distribution. We produce and deliver electricity to a vast range of customers and are at the forefront of providing energy solutions across the globe.

As part of our continued regionalisation

strategy, our London office (headquarters for our Europe, Middle Eastern, African and Indian operations) is seeking to strengthen the team responsible for developing our business throughout the region with the appointment of an additional Financial Analyst. As an integral member of the development team you'll help assess the financial viability of PSEG Global's international projects by working closely with

the development team in defining their financial and economic parameters. Primary responsibility will be to establish the base model, provide the investment parameters and advise on the transaction/ project structure risks. This will involve providing several scenarios per project, preparing the financial section of bid documents, board approvals, financing models. Information memoranda etc.

A graduate with a Masters or MBA, you should have over 5 years' professional business experience, with at least 2 years most recently in a similar role. This should have given you a thorough understanding of financial principles and capital budgeting/ engineering economics, and helped you develop an eye for detail and strong analytical skills. It should also mean you have a good understanding of the implications of relevant taxes, legal issues, power industry pricing regulations, accounting and financial

alternatives. Knowledge of a foreign language would be useful.

The role is based in London but will involve extensive travel. It will particularly appeal to someone with an entraoreneurial bent who relishes the opportunity to be part of an exciting new operation in a rapidly growing business segment.

If you meet the description, you certainly won't be disappointed by the salary, benefits and prospects offered. Please send your CV, to Susan Pybus, PSEG Global Ltd., 8 Bourdon Street, London WIX 9HX

PSEG Global is an Equal Opportunities Employer





The Fantastic Corporation has developed the first Broadband Multimedia Broadcast system. Based in Zug, Switzerland, with subsidiaries in Europe, the USA and Asia, we are aggressively expanding into the Business market to enhance Global Business runication. For our Marketing Team in Switzerland we are looking for:

Market intelligence Consultant

To maintain a corporate awareness of market conditions that affect the existing and projected products and services of The Fantastic Corporation, to provide the statistical basis for the business plans to determine Return on investment and priority of new product developments and to alert the company to any radical changes in the market structure that affect the company's competitive positioning. Responsibilities include periodical reporting on customer and competitor analysis tracking key niche market areas, identifying new market areas and potential alliance partners or acquisitions in

Our ideal candidate has; an academic background/degree, preferably in business or computer technology, experience in marketing communications, analysis preferably with a Market Analysis company in IT, Telecoms or Multimadia (business and financial modelling a distinct advantage), excellent communication skills in English (German a plus) and the ability to relate complex issues and technologies in a simple and concise

We offer: The dynamism of a fast-growing company with 165 employees, a stimulating work environment with growth opportunities, a young and multicultural team with more than 18 nationalities, and an it infrastructure with the latest systems

If you are ready to join one of the fastest growing companies, please send cover letter and resume to Carolyn Fölimi (c.foelimi@fantastic.com):

The Fantastic Corporation, Bahnhofstrasse 12, 6301 Zug, Switzerland

The Fantastic Corporation has developed the first Broadband Multimedia Broadcast system. Based in Zug, Switzerland, with subsidiaries in Europe, the USA and Asia, we are aggressively expanding into the Business market to enhance Global Business Communication. For our Marketing Team in Switzerland we are looking for:

Documentation Specialist

To communicate the company's marketing positioning, product line and image in documentation to support The Fantastic Corporation's marketing and sales activities. Responsibilities include producing trochures, product and data sheets, case studies, articles and standard and customized presentations for conferences and

Our ideal candidate has: an academic background, preferably in communications or journalism, experience in marketing communications, corporate training or journalism and knowledge of IT or business to business services, excellent commu in English and good knowledge of German, the ability to describe highly technical concepts and products in simple language for mass audiences and experience with Microsoft Office 97 (knowledge of Quark and/or illustrator a plus).

We offer: The dynamism of a fast-growing company with 165 employees, a stimulating work environment with growth opportunities, a young and multicultural team with more than 18 nationalities, and an it intrastructure with the latest systems

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The Fantastic Corporation has developed the first Broadband Multimedia Broadcast system. Based in Zug, Switzerland, with subsidiaries in Europe, the USA and Asia, we are aggressively expanding into the Business market to enhance Global Business Communication. For our Marketing Team in Switzerland we are looking for:

Product Manager

To provide product management for all revenue products from concept to launch, clarify product objectives in the market and ensure that product requests from sales clarify product objectives in the manker and ensure may product requests from sales meet with corporate ROI, market strategy and resource requirements. Responsibilities include compiling product specifications, pricing, support and release procedures, establishing time frames and benefit statement based on product requests from sales/development, auditing Early Adapters of the the product and ensuring customer expectations are met. You will also produce a marketing opportunity program, schedule and prograss the development of the product and ensure proper beta test and release. Our ideal candidate base an academic degree in business, computer technology or mathematics/physics, experience in product sales, systems analysis or sales of solutions orientated applications with a multinational IT or Telecoms supplier, excellent

negotiation skills in English (German and/or Italian a plus) and the ability to coordinate different competing resources. **We offer:** The dynamism of a fast-growing company with 165 employees, a stimulating work environment with growth opportunities, a young and multicultural team with more than 18 nationalities, and an it infrastructure with the latest systems

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conducted by Jiří Kout in works by Brahms and Bartok, with

The benefits of being disagreeable

Antony Thorncroft spends a day with the least popular visitors to the new Watercolours and Drawings Fair in London: the vetting committee

The British love watercolours. It is the national art form, created and brought to perfection by These might have been taken that dealers are not re-stocking a report with the rejected works. For the expectation is that over the four and brought to perfection by Turner, Girtin, Cox, Towne, and the like, and enthusiastically pur-

Certainly, during the great art boom of the 1980s, watercolour prices rose to dizzy heights. The fall, in 1990, was dramatic. Now prices are just about approaching the levels of a decade ago and for some artists, such as Helen Allingham, queen of the jollyhollyhock school of verdani cottage scenes, the peaks of 1989 have yet to be approached.

The trade suffered, and then it quarrelled. The main event of the year, the World of Watercolours fair in London, was shifted in 1997 from its traditional home at the Park Lane Hotel to the Dorchester. The dealers hated the change. Now two of the leading specialists, Julian Hartnoll and Rupert Maas, have reclaimed the event for the trade. A new Watercolours and Drawings fair has returned to the Park Lane Hotel until Sunday night, with more than 50 dealers showing off their best stuff. Anyone visiting the fair this

weekend - and more than 6,000 are expected - can be certain of one thing. The works of art on display will be by the artists credited on the labels. The vetting of fairs is one of those British traditions which is taking over the world. In the past, New York, the other great global art centre, there objected to their goods being vetted. Yet a vetted fair reassures both customers and dealers, and keeps out the all-toocommon shady characters.

On Wednesday a team of dealers, academics and conservators spent an exhausting 10 hours tramping around and making amended to "academic study; an inexpensive picture can hardly themselves thoroughly disagreeable. The dealers are asked to disappear while the experts crawl all shouting matches are to be from the walls, but the vetters' avoided. Instead, the chairman of task is not over: they must keep

down because the attributed artist is incorrect, the works are in poor condition, not a watercolour or drawing, or need re-labelling.

The dealers get the chance later to argue their case, but in the main the discussions are amiable. On one stand, a small work was revealed as a print, and a Venetian view by Samuel Prout was also discarded: "Prout only used a reed pen and this is done with a steel pen", remarked one of the vetters. At another stand, an

A vetted fair reassures both customers and dealers, and keeps out

shady characters

Augustus John drawing aroused concern and the vetters decided to ask the dealer for more informa-

tion about its origin. The biggest problem came with the new fair's decision to accept oil sketches. One dealer had covered a wall with oil paintings they would have to go. Elsewhere an acrylic portrait was also with-

No dealers were attempting to mislead: they had just given their stock the kindest interpretation. lacked an international art fair of A Rowlandson drawing was any status because the dealers accepted as genuine but the colouring was thought to be added later, and must be described as such. A painting by de Wint was re-labelled "School of de Wint"; it was probably done under his supervision. A typical Victorian life-class study of a nude, attributed to Millais, had to be buted to Millais"

over their stands - angry about 20 works had disappeared and open from 11 am to 8pm (to vetting committee. John Robert- an eye on the stands to make sure

days business will be brisk. Last year showed a marked improve ment in demand, and now dealers are re-stocking for 1999.

The Watercolours and Drawings Fair is for the casual collector as well as the enthusiast. There are no £100,000 works on display. The organisers have also cut down on the presence of dealers who offer purely decorative watercolours. although there is no shortage of good landscapes and cityscapes.

£2,000 and stretch from Pre-Raphaelite works on the stands of Maas and Martyn Gregory, who also has a Gainsborough drawing, to unusual French interiors offered by Julian Hartnoll: to cartoons at Abbott & Holder, John Rae-Smith, and Chris Beetles (who also offers perhaps the most expensive item, a £55,000 landscape by William Turner of Oxford); through Ken Howard nudes at Linda Blackstone; Susan Ogilvy's botanical illustrations at Jonathan Cooper; and Charlie Mackesy's pastels of musicians and dancers at Flying Colours.

The range in appeal is also gen erous - from a sketch by Corot to at least two cartoons by Willie Rushton; one, of a drinking Willie offered by Hartnoll, the other, showing him squaring up to Muhammad "I am the greatest" Ali at James Huntington-Whiteley, who specialises in images of sport.

The new Watercolours and Drawings Fair is very English, entative of the middle market and the middle classes, but it does not take itself too seriously. There are cartoons and drawings for less than £200 and anyone wanting to cheer up a room with English School; traditionally attri- fail to find something that appeals. Back in the art deco mag-By the end of the day's vetting, nificence of the Park Lane Hotel 6pm on Sunday), admission £8, this is one fair that deserves a





Viktor': a Bauschian slice of Roman life

All angst and inter-active fun

Clement Crisp reviews Pina Bausch's 'Viktor'

Pina Bausch Tanztheater. I did not feel exactly cheated that I missed out on the white buns spread with jam that were prepared on stage and then served to paying customers, since I was caught up in the rush of a girl racing - six times - on to the stage to say "Good evening"; and I was offered what I hoped might be saucy photographs - alas, they were snaps of a lardy-looking Elvis - and a choice of revolvers. And the cast strutted past in a fairly sprightly

All this inter-active fun is, as we know, par for the course with Wuppertal's pride, visiting the Wells for just four performances. Around the world, where the troupe is generally adored, the inconsequential, the distressing, the madcap and the sometimes terrifyingly moving, are the signs and signals of Bausch's theatrical ratatouille.

That Bausch is a creator of extraordinary spectacle there can be no denving. Her Sacre du printemps of 1975 is one of the very best versions of that over-choreographed Abstar Must score. Kontakthof, Nelken and 1980

(the last piece of hers seen in Lon- shovelling dirt on to the stage from Tanzabend have been of exceptional auctions (of junk, and dogs), and the week, thanks to the presence of the miscellany of ideas first stated by her cast is, I infer, a regular feature of ber work nowadays. That ber editorial function in Viktor (which is the piece she has brought to the Wells) can seem all-too-relaxed is my Roman, this!) and the dazzlingly

> It is a theatre of desolation, with bursts of manic laughter to show just how much it all hurts

reaction to the show, which opened on Wednesday night. It is a wild grab-bag of incidents,

ranging from the predictable and dull to the haunting and fiercely comic. It is also, at 31/4 hours running-time, horrendously long. There was a moment early on when, for Bauschian reasons, a man started laboriously to cut planks in half with an electric saw. He should have turned his attentions to the show.

Viktor was made in 1986 as a coproduction with a Roman theatre and, we are led to believe, concerns itself with Roman life, if not with the city itself. So a stage framed on three sides by earth-works, and a man spending much of the evening

managed scene of utter urban chaos, and many grotesqueries owed to Fellini films

Curiously, in portraying the inhabitants of a city thronged with churches - let alone the Vatican the religious life is entirely ignored. There are dance-lines, the happy participation of a group of "civilian" Dads who have been recruited to dance with the girls and look splendidly at ease amid the mayhem, and, inevitably, the Bauschian despair at the human condition. The girl who stands front-stage, holding two rocks induces not just despair but an angst. active desire for the exit. The futility of life, the unrelenting

countered by female resignation or a subtler manipulation, and by the sabotaging of sexuality through drag-roles, and the need for roledon nearly two decades ago) and on high. So the two sheep, and the playing - are recurrent themes here as in much of Bausch's theatre. All The front stalls at Sadler's Wells are interest and power. That she favours cafe-scenes (there is a lot of simu-very true, very sad, and - because lated eating throughout), and the oriental girl who is turned into a rather too predictable, and not a fountain (her mouth constantly little dull. There are blissful comic filled with water which she obligmoments. My heroine is the woman ingly spews into a bucket so that a with the gravel voice who berates a couple of chaps can ablute: very silent man, declaring "You are so interesting: sitting next to you I feel like a stick!" She also featured sublimely in a cafe-scene in which three decrepit, crutch-sprung waitresses tsmoking furiously, as do almost the entire cast) fail to serve a male customer. It is as wickedly funny, and as frightening, as Tudor's Judgment of Paris. Since this is a Bausch evening,

battle of the sexes - male brutality

there is much much more disjointed and illogical activity - the appearance of a group of men in white coats gave pause for thought. It is, ultimately, a theatre of desolation. with bursts of manic laughter an indication of just how much it all hurts. It is superbly done by Bausch's artists, subtle, wicked, tireless, wholly expressive. But it is also a theatre of self-indulgence in Eeyore-ish gloom. And 200 minutes and screaming intermittently, is a long time to sit soaking in the

This visit is sponsored by BMW.

Wigmore winner sings at full throttle

It seems a natural move for the Wigmore hall to instigate a song competition in its own name. Although the competition was held for the first time last year, prize day has only just arrived and the prizewinner's recital was duly given on Wednesday by the 24-year-old haritone Marcus DeLoach.

Heading out on a career in ong is an honourable path. though one that often leads to disappointment. Even the most ardent lovery of song. such as Schwarzkopf and Fischer-Dieskau, made sure they had careers in opera. Since that is where a following and a good living are usually carned. Student who pin their hopes on the recital platform are liable to disappear withou

It is unlikely Delauch will do that. His voice is more than enough for song, a baritone fit for opera in fact. despite the attention he has paid to recitals in his formative years. No wonder that operatie engagements make up a large part of his blography.

The first Wigmore Hall International Song Competition will surely have set out to find a singer with a special feeling for song, but on the evidence of Wednesday's recital DeLoach is notable first for voice topen, steady. strong), second for his sense of showbiz (the encore from My Fair Lady had a real buzz) and third - some way hehind - an affinity for the standard repertoire of German Lieder and French mélodics. A major part of the

problem was that his voice seemed unable to find a true legato at anything less than forte. The opening of Mendelssohn's Der Mend was too bumpy and that of Nachtlied too loud to draw experienced Lieder singer would. When he did hold the voice back, intonation was apt to be shaky, as though he needed a good sing at full throttle to blow the cobwebs away.

That bappened with the American group of songs. and splendidly too. Released from the need to be respectfully stylish, his virtues suddenly sprang to life – clear words, bright personality, strength in the middle of the voice, a proud ring at the top, humour and matched by Thomas Bagwell at the piano.

This was first prize material: a shame we could not have had more of it.

Richard Fairman

Sponsored by the Wigmore Hall Trust in associat

INTERNATIONAL

Arts. Guide

AMSTERDAM

EXHIBITION Tel: 31-20-673 2121 Asser: Pioneer of Dutch photography. Nearly 200 photographs, including portraits and still lifes, made by Edouard Isaac Asser (1809-1894); to Mar 14

OPERA Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The designs are by Wolfgang Gussmann and Gabriele Jaenecke, and the cast includes Carmen Oprisanu and Martin Thomoson; Jan 31; Feb 3

Tel: 49-30-203090 Deutsche Oper Orchestra: plano soloist Gerhard Oppitz;

OPERA Deutsche Oper Tel: 49-30-34384-01 Faust: by Gounod. Conducted by Sebastian Lang-Lessing in a staging by John Dew; Feb 4 Manon: by Massenet. Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Feb 2

CHICAGO

OPERA Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Mefistofele: by Boito. György Győriványi Rath conducts a revival staged by Peter McClintock, Samuel Ramey sings the title role: Jan 30 Roméo et Juliette: by Gounod. Conducted by John Nelson in a staging directed by Nicolas Joël. The cast stars Roberto Alagna and Angela Gheorgiu; Jan 29; Feb 1

DALLAS OPERA Dallas Opera Tel: 1-214-443 1000 www.dallasopera.org La Bohème: by Puccini. Conducted by Antonello Allemandi in a staging by Mark Lamos, with sets by Michael Yeargan; Jan 29, 31; Feb 3

EDINBURGH EXHIBITION

National Gallery of Scotland Tel: 44-131-624 6200 Turner Watercolours: shown every January for 90 years, this magnificent selection of 38 watercolours was bequeathed by Victorian collection Henry Vaughan in 1900; to Jan 31

HOUSTON THEATRE Houston Grand Opera, Wortham Center Tel: 1-713-227 2787 www.hao.com A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade, Thomas Allen and Sheri Greenawald; Jan 29, 30, 31; Feb 3

LONDON CONCERTS Barbican Hall Tel: 44-171-638 8891 London Symphony Orchestra: conducted by Colin Davis in works by Elgar, Bartók and Beethoven, with violin soloist Sarah Chang; Feb 3, 4 Royal Philharmonic Orchestra: conducted by Daniele Gatti in works by Brahms and Mahler, with soprano Ruth Ziesak; Feb 1

Royal Festival Hall Tel: 44-171-960 4242 BBC Symphony Orchestra and Singers: conducted by Andrew Davis in works by Boulez; Feb 1 London Philharmonic

Orchestra: conducted by Kent Nagano in works by Bartók and Berlioz, with viola soloist Yuri Bashmet; Feb 3 Royal Concertdebouw Orchestra: conducted by Riccardo Chailly in works by Brahms and Schoenberg, with violin soloist Vadim Repin: Feb 4

EXHIBITION National Gallen Tel: 44-171-839 3321 Portraits by Ingres: Images of an Epoch. 40 paintings and 50 drawings by the 19th century French painter, Includes major loans from museums in France, the US and elsewhere; to Apr 25

LYON **OPERA** Opéra National de Lyon Tel: 33-4-7200 4500 Zelmira; by Rossini. Conducted by Maurizio Benini In a staging by Yannis Kokkos, with a cast including Mariella Devia; Jan 30; Feb 1

MUNICH

CONCERTS **PARIS** Philharmonie Gastelg Tel: 49-89-5481 8181 **CONCERTS** Munich Philharmonic Cité de la Musique Orchestra: conducted by Fabio Luisi in works by Wagner and Liszt; Feb 1, 2, 3 Symphonieorchester des Bayerlschen Rundfunks: by Ives and Schubert. With piano conducted by Lorin Maazel in soloist Alan Feinberg; Jan 31 works by Mozart and Bruckner, with piano soloist Murray Perahia: Jan 30: Feb 4

OPERA Bayerische Staatsoper Tel: 49-89-2185 1920 www.staatstheater.bayern.de Lohengrin: by Wagner, Peter Schneider conducts a staging by Gőtz Friedrich. Cast includes Adrianne Pieczonka and Waltraud Meier: Jan 30; Feb 3

NEW YORK CONCERTS Avery Fisher Hall, Lincoln Tel: 1-212-875 5030

www.lincolncenter.org New York Philharmonic: conducted by André Previn in works by R. Strauss; Jan 29, 30 EXHIBITION

Museum of Modern Art Tel: 1-212-708 9480 www.moma.org Jackson Pollock: first US retrospective of the Abstract Expressionist since that held at MOMA in 1967, Includes more than 100 paintings and 50 works on paper, to Feb 2, then transferring to London

Cleveland Orchestra: conducted by Christoph von Dohnányi in the European premiere of tyes' and Porter's Emerson Concerto. The programme also includes works

Tel: 33-1-4561 6589 Cleveland Orchestra: conducted by Christoph von Dohnányi in works by Beethoven and Stravinsky, with violin soloist Frank Peter Zimmerman; Jan 30 Luciano Pavarotti: recital by the tenor, accompanied by pianist Leone Magiera; Feb 1

Orchestre de Paris: conducted by Frans Brüggen in

Théâtre des Champs Elysées Tel: 33-1-4952 5050 San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Canteloube and Mahler, with soprano Dawn Upshaw: Feb 1

works by Beethoven, Hummel

Marie-Josèphe Jude, Feb 3, 4

and Schubert, with piano soloist

EXHIBITION Grand Palais Tel: 33-1-4413 1730 Un ami de Cézanne et de Van Gogh: le docteur Gachet (1828-1909). Exhibition devoted to the doctor and painter who was a friend to Cézanne, Pisarro, Monet and Renoir as well as to Van Gogh, who famously spent the last weeks of his life with Gachet at Auvers-sur-Oise; from Jan 30 to Apr 26

TOKYO CONCERTS Suntory Hall Tel: 81-3-3584 9999 Tokyo Symphony: conducted by Norichika limori in Verdi's Requiem; Jan 30 Yomiuri Nippon Symphony Orchestra: conducted by Gerd

Albrecht in works by Beethoven;

ZURICH **EXHIBITION** Kunsthaus Zurich Tel: 41-1-251 6765 Chagall, Kandinsky, Malevich and the Russian Avant-garde: exhibition exploring the artistic upheavals of the first two decades of this century, includes important loans from the State Hermitage Museum in St. Petersburg and provincial Russian museums from Jan 29 to Apr 25

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At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.



PHILIP STEPHENS

After the trial

Bill Clinton has outwitted his Republican accusers in the Senate by keeping his eve on the wider political horizon

We need to rethink the sequel to Bill Clinton's trial. The common assumption has been that acquittal by the Senate would be scant president. Mr Clinton would never be free of the stain on that dress. At best he would limp through the rest of his term. More an emasculated than a lame duck. Now we see a different outcome.

My guess is that the history books will be a lot kinder to Mr Clinton than to his accusers. He has been shamed. They have been broken. While Republican prosecutors have huddled in hotel rooms with Monica Lewinsky, he has been out in the country making the big political arguments. Sometimes it seems that this gifted, flawed, brilliantly inexplicable politician just can't stop fighting elections. Maybe he wants a third term. He's forgotten the law that says there cannot be another FDR.

So it seems anyway from a certain distance. The small screen images of recent days fix two things in the mind. One is the terrible pain creasing the brows of Mr Clinton's accusers. The House prosecutors are ageing before our eyes. The middle aged have become the elderly. We are just waiting, as one commentator has observed, for Henry Hyde to lose that great shock of white hair. These men know the president is going to beat them. Again. They just cannot bear to

The second is of the sheer irrelevance of the proceedings. We had told ourselves this trial would gave us a ringside seat at one of the great events in American political history. All those clichés about defining moments for once seemed justified. Really.

*

Only once before had the holder of the Republic's highest office gone to trial for high crimes and misdemeanours. And illiterate drunk on the wrong side of the argument about post-war reconstruction in the South. This was different. When Chief Justice William Rehnquist stepped into the Senate chamber, we knew we were bearing witness to the full majesty of the

American constitution. We thought we knew. A lot of guff has been written about the US political process. The avourite words are impartial. The preface to my own rather battered edition of The Federalist runs under the title "Message to Mankind". In truth, the founding fathers were as shrewd as they were visionary. They knew all about politicians. So they set about creating political institutions to constrain the people who operated them. As Alexander Hamilton wrote, most of the time this machinery would be run by the leaders or the tools of

the most cunning or the

most numerous faction".

Even so, Mr Clinton's foes

have devalued the currency. This week's votes in the Senate to prolong the trial exploded any lingering pretence that the Republicans put constitution before party. In place of a sober assessment of the facts of the case against Mr Clinton we have been offered more collusion with Kenneth Starr and the weekend encounter with Monica in the presidential suite of the Mayflower hotel. In place of impartial justice we have what Ms Lewinsky's lawyer aptly described as an unseemly circus.

Garanter File College

Artist Consistent

the president's accusers would see Moms without Dads, gays, Blacks, Hispanics and other ordinary people who think that sexual mores lie in the realm of the personal rather than the political. These voters may not like the way Mr Clinton has behaved. Most abhor it. He lied. But the polls have consistently said that real America draws a line between family values and individual liberty. It was On the Senate floor, Mr never going to fire the president over a tryst with Hyde's desperation provoked the tragi-comic plea for the an intern. The Republicans have missed something else. And

Beyond these boundaries

iurors to "keep the faith" with those who fell in the the price of their obsession fight for freedom on the may be a lot higher than Normandy beaches. This case, another prosecutor seeing Mr Clinton serve out contended without a hint of the remainder of his term. self-parody, sat alongside the heroic struggles of the As they pore over Mr Starr's prurient prose, the president has reminded us what makes civil rights movement. Compelling? The people him the most extraordinary yawned and switched off. politician of his generation. The defeat that now looms However dire the present, he always thinks ahead. for the president's accusers

is much bigger than the

victory it delivers to Mr

Clinton. Sure, much of the

Republicans' present agony stems from their visceral

loathing of a president who

Livingston, This whole sage

has been as much personal

zealotry has cost them more

dearly. Impeachment was a

always outsmarts them.

Newt Gingrich and Bob

But the prosecutors'

ithad against the social

Attaching Mr Clinton's

private vices to his public

office would return America

conservatives. The decadent

moral relativism of the 1960s

would be washed away with

What's happened is that

blinded by their moral

assure Mr Clinton's

acquittal. One can only

cannot admit that the

scarcely exists outside the

narrow confines of their own

America they uphold

liberalism of the age.

to the Christian

the president.

as political.

This time he has seized the issue that will dominate the battle for the White House and the Congress in 2000. How should the US spend its budget surplus? The Republican answer was They must avenge the fall of always going to be tax cuts. Mr Clinton's State of the Union address said the money should be spent. instead on saving the social security system, on Medicare, education and half a dozen other middle-class causes. He left his

opponents at the starting

We know Alan Greenspar hates the proposal to invest social security money in the stock market (though it is an ldea kicked around as often by Republicans as Democrats). And no doubt much else in the overall package will fall by the

the Republicans have been wayside during the next righteousness. Even George two years. That's not the W. Bush, the party's best hope for the White House, Mr Clinton has redrawn was driven to remark this the big picture. And once week that "we're all sick of again he has caught the it". Yet on Capitol Hill they public mood. These things can change, but more than rush on into the valley of death. Never mind the votes half the electorate says it this week of 44 Democrats trusts the president on tax and social security. The Republicans score less than suppose the Republicans 35 per cent. He's done it

third term.

again. You never know, if

they had not changed the

rules, Mr Clinton might well

have been on his way to that

LETTERS TO THE EDITOR

Setbacks to reform do not signal a return to dark ages for Romania

From Ms Violen Ashton. Sir. I was surprised that vour otherwise excellent coverage of the current situation in Romania (January 23 and 26) views the settlement with the miners as "a potentially devastating set-back" for the government's reforms – not least because the terms of the settlement have not yet been formally disclosed, but are still the subject of normal Balkanic

claim and counter-claim. It may well be that the full terms, when agreed, will draw criticism, but preferring negotiation to "a potential bloodbath" is hardly a step backwards. We should also consider how painful the UK experience was of try and that Romania, like

economic or political secu- ernment uncertain of its course.

What we are seeing is the start of long-overdue action to close down Romania's old heavy industry, which the previous government had assiduously avoided. The setbacks involved do not necessarily signify a return to the dark ages. Other countries heavy industrial base face the same problem, and we have yet to see the Czech Republic and Poland embarking on such wholesale closures. Maybe Romania will not seem so backward when they do.

other countries in the that, nearly 10 years after region, does not have the the revolution, when a govrity to punch through such mandate nevertheless starts reforms as a matter of to do "the right thing" the western press merely sucks

its teeth in disapproval. Romania has indeed moved more slowly out of the political darkness than some of its neighbours, but privatisation has now started in earnest. The government's handling of the miners' crisis has the stamp in the region with a large of impeccable democratic action and, impending financial crisis notwithstanding, this alone speaks volumes for the country's progress.

Vivien Ashton It is deeply depressing Romania

Japan ignores issue of high investment

From Mr Andrew Smithers. Sir. The confident forecasts of Eisuke Sakakibara. vice-minister of finance, for the Japanese economy have been a regular feature of Japan's post-bubble economy. His current analysis ("Japan: don't panic", January 27) illustrates, by its fullure even to mention the key issue, why his forecasts have been so persistently wrong.

The Japan Center for Economic Research, in its medium-term forecast published in December, points out that the essential problem for the Japanese economy is that the level of investment is far too high. On current policies it is forecasting a decline in Japan's gross domestic product over

the next five years. Excessive investment has produced an inadequate return on capital. Meanwhile, the cost of capital remains high in real terms because prices are falling. A weaker yen is needed to halt deflation, thereby allowing the cost of capital to fall and to allow the return on capital to rise by improving profit margins. This would also allow the fall in investment to be offset by exports, which have been stagnant in volume terms. Paul Krugman's advice ("Japan head for the edge". January 201, which would result in a lower exchange rate, should thus be heeded, not scorned. Budget deficits, which

may be an appropriate response to a cyclical weakness in demand. are unsuited to dealing with structural problems. The persistent failure of Japanese economic policy lies in the refusal to recognise this. Ignoring the issues will not make them go away.

Andrew Smithers. Smithers & Co. 20 St Dunstan's Hill. London EC3R 8HL, UK

Good practices that mean good business

From Leslie T. Reissner. Sir, Your articles dealing with environmental issues and business (January 25). suggested that Wall Street managers do not seem to see a link between good environmental practice and corporate performance. Some time ago the World Business Council on Sustainable Development (WBCSD) ssued a report on this very

From Mr Nicky

January 22).

Samenoo-Turner.

Sir. I was amused to read

Jardine Fleming auto ana-

lyst Stephen Usher's com-

ment that "it is not very

common for significant tech-

nical developments to come

out of F1" ("Toyota Motor

set to join Formula 1",

Fuel injection,

oriented and growth-oriented investors should think in ably interest Wall Street advantage obtained by industry leaders.

subject and concluded that. in fact, there is a positive link and that both value-

terms of the competitive managers to know that WBCSD membership includes such "ephemeral woolly-minded, granola-eating types" as 3M, AT&T. WBCSD recognises that BASF, Fiat, Mitsubishi, Noranda. Shell and Sony.

good environmental practices means good business for a variety of reasons, and I would highly recommend the council's website at http://www.wbcsd.ch/ where a copy of the report "Environmental Performance and Shareholder Value" can be

tials, wide and low profile

tyres, sophisticated elec-

tronic engine management

systems, aerodynamic alds,

alloy wheels, the use of alloy

metals and composites,

From fuel injection system to car baby seat engines, multi-overhead even the ubiquitous baby cams, multi-valve engines, seat have all entered road five-speed-plus gearboxes, -car usage via either P1 or disc brakes, ventilated disc other motorsports develop-brakes, limited slip differenment.

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Russian roulette

If the IMF insists on further reform, it could lead to another default; yet the government has little room for manoeuvre. John Thornhill calculates the risks

uri Maslyukov, the former Communist MP in charge of Russia's stricken economy, fears a new Iron Curtain is about to descend across Europe. This time, it is Washing-

ton, not Moscow, that will erect the barrier, and it will be a financial ringfence rather than barbed wire that separates Russia from the rest of the world.

Over the next few months. the International Monetary Fund must, in effect, decide whether to start a new cold war with Russia by refusing to lend more money to its biggest recipient of funds -\$19bn (£11.5bn) to date.

The risk is that a withdrawal of support could spark mutually assured destruction: Russia might default on a big chunk of its \$150bn external debt including, perhaps, the \$4.5hn it must repay the IMF this year - and turn itself into a financial pariah. Default would in turn deal another damaging, perhaps fatal, blow to the IMF's credibility following the collapse of the \$28bn emergency assistance package it led last

August. In spite of the high stakes involved, the IMF appears in no mood for compromise. In an unusually blunt speech to a conference on Russia at Harvard earlier this month, Stanley Fischer, the IMF's first deputy managing direc-tor, called on the Russian government to take immediate action to cut spending, raise revenues, and target a primary budget surplus (before debt servicing) of 3 per cent to 4 per cent of kov has formed a coalition gross domestic product this

The IMF says Russia should aim for an overall budget deficit of 1 per cent of GDP. The government, however, says the deficit will be 2.5 per cent of GDP this year, in spite of the fact that it is not servicing its domestic

The criticism continued during this week's visit to shifted towards stimulating sus around a sound macro-Moscow by Madeleine industrial production, pro- economic policy."

Albright, US secretary of tecting the poor, and creat- That is why the IMF is state. Russla's 1999 budget, ing a "socially oriented mar-US officials warned, was a piece of fiction, inconsistent with the basic laws of real reform. economics. It would only

Russia: the pressure mounts Texterence (% of GDP) Federal

inflationary financing, wage government's Financial arrears and weakened credihigh promises are shattered nomic programme, argues by low performance," one US that fresh IMF credits would

official said. appointed prime minister in September, cannot be held responsible for past policy mistakes. They say Russia

Academy who is involved in bility. "It is a cycle in which drafting Mr Primakov's ecoofficial said. help reduce social tensions
The Russian government and buy time for reform. "If was stung by this onslaught. the IMF extended its hand in Finance officials argue support by providing new that Yevgeny Primakov, credits, it would have enormous moral significance as a sign of support from the world community," she says. But what could Russia

Not a lot, according to

mist at the Carnegie Moscow

Centre. "The Russian gov-

ernment's political base is so

fragile that it cannot make

towards the current IMF

position without completely

destroying the balance of

power on which it rests," he

IMF would only reinforce the

negative approaches of the

government and hinder the

formation of a new consen-

expected to continue talking

"Any compromise by the

Says.

The government cannot make any significant moves towards the IMF position without destroying the balance of power on which it rests'

deserves another chance. offer to win a new lifeline They also say it would be from the BMF? politically impossible to make any "cardinal changes" to this year's bud-Mikhail Dmitriyev, a former labour minister and econo-

. It is true that Mr Prima-

government that enjoys parliamentary support, giving any significant moves him a rare opportunity to achieve major legislative reforms. But the coalition has yet to be tested. In spite of the presence of communists in his government, Mr Primakov wants to redirect, not reverse, Russia's market reforms. The prime minister argues the emphasis must be ket economy", which could tough. Unless the Russian help build a constituency for government puts its finances

real reform. on a sustainable basis, IMF Lydia Krasavina, an eco-officials argue, the fund

that in the end - as in the nast - the IMF will succumb to the political pressures of its main shareholders, the Group of Seven industrialised nations, which con-

tinue to fear the unpredictable consequences of a Russian collapse. The west may yet decide that Mr Primakov is the best bulwark of stability in such uncertain times, and that he deserves to be supported

fomenting its own pyramid

scheme in Russia, providing

fresh funds simply to pay off

Some Russians believe

the old loans that fell due.

: रुक्ट न क्लार्ट

until next year's presidential The US administration. which emphasised this week how it remains engaged with Russian reform, now appears to be offering the prospect of a sizeable debt forgiveness package as a further enticement to adopting an IMF

programme in full. Those familiar with the negotiations say the likelihood is that some kind of messy compromise will be reached: the Russian government will take steps to put its finances in order, and the IMF may "roll over" its loans, while stopping short of backing a full programme in Russia.

Some Russian economists argue that while such an outcome may be politically desirable for all sides, it will harm the country's chances of pursuing true economic refor<u>m</u>

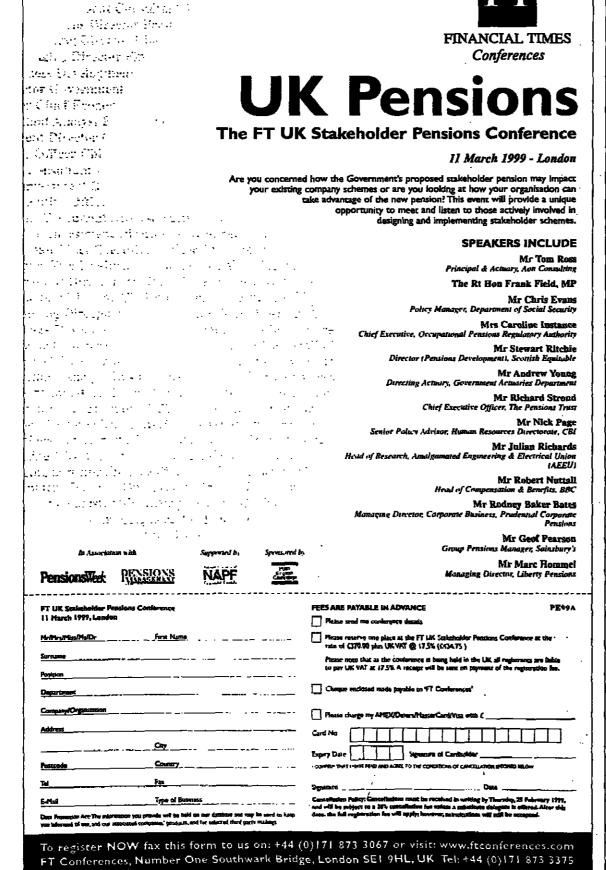
Mr Dmitriyev wonders whether it would not be better for the IMF to withhold support and let Russia go to the dogs.

"A tough liberal approach is politically impossible, so the only way out of the crisis for Russia is to invigorate the crisis."

Few, though, would want to risk such an experiment in a country as unpredictable as Russ<u>ia</u>.

"It is a close call," says one western finance official. "I think that Russia is an uncertain and dangerous place which could develop in quite unhealthy ways if it is branded as a parlah."

Nevertheless, he insists: "The west should not do anything to let the government off the hook or give economics. It would only Lyma Lieuwing, an experimental be in danger of is proposing is satisfactory. them the sense that what it



COMMENT & ANALYSIS

a champion of shareholder activ-

institutions that cannot rock the

corporate boat because of poten-

managers which must tout for

business. As a result, it has been

more ready to stick its neck out

invest. Although company execu-

tives have a largely indirect role

not considered helpful for busi-

Some fund managers also

defend their decision to shun

activism by arguing they do not

have the time or the money to

become involved with the compa-

Some UK institutions funda-

mentally disagree with the

notion that activism is the route

to enhanced performance. One of

the largest says: "I don't feel it's

Other fund managers, however.

Phillips & Drew, the UK's

third-largest fund manager and

the Mirror Group's largest share-holder, campaigned hard for Mr

Montgomery's departure. In addi-

tion, it has been the main instiga-

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nies they invest in.

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tial conflicts of interest.



FINANCIAL TIMES

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Friday January 29 1999

Sweden lets its champions go

Sweden is rapidly losing its unpopular, because that merge image of jealously guarding would cost Swedish jobs. industrial champions, and its sovereignty, within its northern fastness. Ford of the US is to buy Volvo's car business, putting the country's best-known brand in cutting telecoms jobs and relocatforeign hands. At the same time, the Swedish government is to overhaul the management of half its state-owned companies and prepare them for possible privatiation. Meanwhile, Swedish public opinion has reacted positively to the launch of the euro. The signs are that the government might chance a vote on joining the single currency as early as

Social Democrat government, but ones which should serve the country's interests.

Many Swedes may not see the Volvo sale in that light, though they have been round this course before during the company's aborted 1993 merger talks with Renault of France. But the link-up with Ford will secure the future of Europe's smallest volthere is little model overlap between Ford and Volvo - and thus the deal will do little to solve the chronic over-capacity among the mass car producers means that there will be few job losses in Sweden itself. By contrast, Volvo Trucks' decision to use cash from the sale to pursue Scania, and thus build Europe's

biggest truckmaker, may be

The Volvo car sale is sure to reinforce fears that more companies may flee Sweden's unfavourable business climate. Ericsson is ing others to London. Astra has merged with Zeneca, and is choosing a British HQ. Stora land with its merger with Enso. Göran Persson, the prime min-

ister, appears to concede that high personal taxes make it increasingly hard for companies to attract the right people to Sweden. He says he wants to cut income tax, but is thwarted by These are daring moves from a his coalition partner, the Left ocial Democrat government, but party, which prefers to increase public spending.

Mr Persson seems to have concluded that globalising market forces are moving faster than he can liberalise the tax regime, and therefore Swedish companies must be prepared for the outside world. The job of the investment banker put in charge of 25 state companies is to improve their performance, so opening up the option of eventual privatisation and foreign alliances.

The Social Democrats de praise if they can shed old hangups about foreign takeovers and privatisation. The issue of control is less important than retaining investment and R&D in Sweden. But that still requires action to improve the climate for business

Mr Butler, who is also a direc-

co-ordinated shareholder action was a "great rarity". Fund managers, Mr Butler recalls, were unwilling to talk to each other. share costs, or even provide tacit

Perhaps the most noticeable change is that boardroom battles are becoming more public, more sometimes acted in consort, but companies in which they also may lie in the dynamics of the always in stealth.

"The City needs leadership and, yes, we are trying to provide that leadership," Mr Butler says. Hermes Lens Asset Management is unusual because of its institutional links with Hermes, its majority shareholder. UK Active Value is another, older activist fund which targets underperformers. The two have attracted support from Calpers, the largest US pension fund and tor of several unusual corporate shareholders worried about Mr that it's serving the British econ-

Fighting fit

The public row over the future of Mirror Group may mark a watershed for shareholder activism in the UK, says Jane Martinson

tions to become appear to have started 1999 on the treadmill. But instead of fighting the flab, they are fight-The ousting this week of David Montgomery, head of Mirror Group, a media company, was greeted as a significant turning

point for shareholder activism in the UK. Mirror Group had underperformed the market by 34 per cent over the past five years, and institutional investors were underwhehned by the company's performance. Unlike in the US, investor

mutinies in Britain are still a relatively rare event. Complacency, reflected in the dismal attendance at annual general meetings, is the norm. This state of affairs has its critics. The Treasury, for example, has let it be known that it regards fund managers as a breed of idle "fat cats" who are partly to blame for the nation's economic ills.

Matthew Gaved, a freelance corporate governance consultant, points out that such criticism is easier to head off when institutions can respond: "Oh, but we are active investors and responsible owners. Just look at what we've done with the Mirror

As if to underline this point, Peter Butler, chief executive of Hermes Lens Asset Management and a key actor in the Mirror revolt, says: "I don't think the government needs to do anything [about activism]. These are issues between shareholders and boards and I think shareholders are beginning to learn how to manage that relationship."

tor of Hermes, which manages more than £35bn of assets. believes institutions are taking a more activist stance on corporate Only three years ago, he says

But UK shareholders have flexed their muscles in the boardroom before. What makes recent events different?

The next reason lies in the existence of Hermes Lens Asset in awarding these mandates, a Management itself. It was set up last October as an activist fund to be co-managed with Lens Asset Management, one of America's earliest activist fund managers. The £115m fund is targeted at poorly performing and poorly run

So far, the fund has set its sights on eight UK companies and says its aim is to act as a catalyst for other City institutions to bring about improved corporate performance.

actions in recent months, includtile bid for Marley, a building

Specialist activist funds argue that they provide a voice for materials group. Rivals dismiss Phillips & Drew's conversion to the shareholder activist creed as driven by Hermes has two clients: the necessity rather than principle. pensions funds of BT and the The UK fund management group Post Office, leaving it free of conhas seriously underperformed its peers in the past five years due to flicts of interest which dog asset

> stock markets and its large holdings in the market's smallest. most unloved stocks.

'I don't think the government needs to do anything. These are

issues between shareholders and boards and I think shareholders

are beginning to learn how to manage that relationship

reputation as a troublemaker is fund managers controlling underperforming company coin-

managed pension fund money. The four largest pension fund

managers have all suffered per-

formance problems in the past 18

months. Faced with increased

competition for business, particu-

larly from index trackers or more

activist US rivals, no fund man-

ager wants to be left with the

Julian Treger, one of the found-

ers of UK Active Value, says:

"The industry is now motivated

less by the old school tie and

relationships than by perfor-

cant reason for the speed of

recent events is the emergence of

powerful non-executives. Sir Vic-

tor Blank, Mirror Group's non-ex-

ecutive chairman, was the essen-

tial point of contact for

The final, perhaps most signifi-

UK's worst stocks.

mance.

Last year's Hampel report on corporate governance placed a

Montgomery's role in the com-

rate improvement on boardroom watchdoes But in spite of the indications of change, there is still some way to go before all chief executives begin fearing for their jobs a combination of bearishness on

the retail conglomerate, was allowed to limp along for years and still lost investors lots of A more fundamental reason for money before it found a suitor

ported by Phillips & Drew.

get-togethers between the UK

tors this month to discuss corpo-

rate governance.

Treasury and institutional inves-

almost two-thirds of externally cided with the start of a series of

interest. One senior Treasury official said: "Of course we want large part of the onus for corpoto see shareholders sitting up and doing something. But does this [the Mirror Group] make us think everything in the garden is rosy? No. He said voting levels remained

omy as well as it could be.

The UK government is watch-

too low, communication was "almost non-existent", and the examples of shareholder activism were still too few and far between. The government is using the threat of legislation, to

AGMs, for example, as a stick. That may not be necessary. Bob Monks, doyen of US corporate governance and a founder of Lens, says that in the US, compapies under attack by activist shareholders often shield behind managers depend on winning the emergence of shareholder earlier this month in a deal supthe law. The absence of such powers in the UK is a main In some ways, the timing of the advantage for activists, "It's Mirror Group action was particumuch, much easier here." he The UK investment industry is larly fortuitous. Meetings to says. "The pieces are all in place. highly concentrated, with five express discontentment with the

introduce compulsory voting at

behaviour." Nevertheless, there are many investors and government officials who are frustrated at the slow pace of change in the

It's just a matter of people

slightly altering their pattern of

The government believes UK. highly paid fund managers are A series of corporate failures in the 1990s is largely credited with ushering improved corporate governance in the UK. The most significant failure was in 1991 when the tycoon Robert Maxwell drowned off the Canary Islands, leaving a trail of debt and dubious dealings with pension fund monies in his wake. Mirror Croup, One senior Treasury official ironically, was once part of the said the campaign was "about Maxwell empire.

casting the light of corporate governance up the food chain into the dark and murky world of fund management. "Because the system is so momentum if their activism is to

opaque," he added, "it's not clear

out - leaving Giribaldi the

undisputed master of Snia.

Yesterday, he suggested he

shaping the company, but he

another target. You're warned.

Lies and statistics

Do international fund managers

really know what they're talking

about in Thailand? Results of

recent client surveys by broker

Paribas's annual poll of 79 leading fund managers predicted

that the Thai stock market would

go up by a mean of 38 per cent

fund managers saying they were likely to increase their purchases

this year, with 42 per cent of

Parlbas Asia Equity leave

Observer wondering.

wanted to play an active role in

may take his profit and seek yet

failing to keep UK plc on its toes. Instead, the two sides form a cosy, self-serving and unaccountable club, as illustrated by the appalling voting record at company AGMs: only about 40 per cent of shareholders vote in the UK, compared with more than 80 per cent in the US.

> Corporate governance in the Maxwell scandal. But investors are going to have to keep up the be more than just another failed New Year's resolution.

OBSERVER

pension fund mandates from activism in the UK, however.

industry itself.

Boris's loss, Blair's gain

The man responsible for last night's Downing Street tête-à-tête between French president Jacques Chirac and British premier Tony Blair wasn't

Since last autumn, when Blair suggested they chew over a few s, the two leaders have structed to find time in the diary for the informal meeting of minds. So when Russi president Borls Yeltsin had to cancel a trip to Paris because of ill health, Chirac spied his chance and gave Blair a bell.

touched on Iraq and Kosovo via Angio-French proposals for forging a common European defence policy. But the latest cross-Channel canoodling only adds insult to injury for Socialist premier Lionel Jospin, whose idea of socialism seems a bit far removed from that of his British counterpart. Indeed, despite his record as a conservative nationalist, Chirac's political deas have arguably moved closer to Blair's Third Way than

Motoring along

buried in his Volvo. The vice-chairman of the Volvo Owners' Club, which has members as far afield as New Zealand and South Africa, is nevertheless prepared to give the doubt. For the time being. By last night, he hadn't caught

up with the complexities of the sale but he wants Volvo to continue to be built "by Volvo people in Volvo factories", even i there is a new paymaster, no one, he insists, will want a Ford with a Volvo badge on it. At this point, the chap who

runs a national helpline for the club's 4,900 members offers a stirring recital of the qualities of the cars that used to be dubbed, in homage to their sweeping lines, "Swedish bricks". Volvos, it seems, are safe. reliable, rugged, comfortable and

versatile - and they're most certainly not driven by "fuddy-duddies". He's a bit of a purist himself and he's got two of the all-weather warriors, including a 27-year-old 145 estate with 94,000 miles on the

And talking of the weather, temperatures in northern Sweden vesterday fell to a record -48°C. People were told to stay at home and not to use the roads. Volvos excepted, presumably.

Watching Luigi Describing Luigi Giribaldi as a new symbol of Italy's changing L capitalism may be an exaggeration. The Piedmontese financier is, after all, 74 - and like many of his wealthy compatriots prefers to live in tax-efficient Monte Carlo.

After amassing a sizeable war chest by selling his Traco transport business, he started playing the Italian market and aunching high-profile raids on well-known corporate names. First target was Carlo De Benedetti, the flamboyant Italian businessman who took control of Olivetti after the briefest of stints

at Fiat. When Olivetti turned into a nightmare, Giribaldi stepped in and started building up large stakes in De Benedetti's two holding companies. De Benedetti wasn't amused and, at the end of the day, proved more cunning than Girlbaldi. He locked up control of his holding companie

With his gains he started looking elsewhere. So when Flat biomedical, fibres and chemicals

Extra flavour came in the presence of Cesare Romiti, who'd just retired after 24 years of running Flat. Romiti seemed interested in assuming control of Snie and bought a small stake. Giribald may have hoped for a

of Thai equities. The message for the smart investor seems to be to jump in before these big money managers do. Wrong. in 1996, fund managers predicted the market would go up by 23 per cent when in fact it slumped 35 per cent. The 1997

survey forecast a 20 per cent increase, but the market plummeted 55 per cent. Only four respondents to the survey in 1998 correctly predicted that the market would go down - as it did by five per cent. The mean prediction had been a rise of 24 per cent. Giver

that this year's prediction is the most buillish ever, short-selling Thalland might not be a bad

Financial Time

50 years ago U.S. And The Colonies

A number of M.P.s on both sides of the House of Commons intend to press the Government for an early debate about President Truman's announcement or participation in the development of the resources of the British Colonies, They are anxious to know whether the Government has detailed information of what the Washington Administration has in mind. It is believed in some quarters that American participation in the development of backward areas is envisaged by the State Department largely in the form of participation of private enterprise rather than through loans by the United States Government. Night Ferry To Paris

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Habibie's credit Indonesian head of state last year

long. Nor did they credit him with the capacity to reform the country's corrupt and undemoerratic yes-man, tarred with the brush of his predecessor.

judgment may have been exces- of New Guinea. sively harsh. Elections will now go ahead in June, with a presidential poll in the autumn. That

is a very positive step. On top of that, Mr Habibie's willingness to contemplate independence for the war-torn territory of East Timor, announced on Wednesday, is both courageous sion of the former Portuguese colony in 1975, has seen widespread human rights abuses, and a death toll estimated at more than 200,000. It resulted in international condemnation of the

Suharto regime. Yet the Habibie strategy is the collapse of the economy in 1997, and the fall of President Suharto last year. Inter-communal violence is an ever-present esia. by no means perfect, allowing the pared to put the question.

from the autocratic President inces. That could easily stoke Suharto, his friend and mentor, resentment. Nevertheless, the few believed he would survive new rules are a great deal more democratic than anything which has gone before.

As for East Timor, the danger cratic system. He was seen as an is that more violence will precede any solution. The prospect of independence could also fuel election reform laws through par- particularly in Irian Jaya, the forliament yesterday suggests that mer Dutch colony on the island

The powerful Indonesian military, which has itself suffered heavy casualties in Rast Timor. has given its official blessing. But there are suspicions that some officers are fomenting unrest by arming pro-Indonesian civilian groups. Cynics fear that the Indonesian government may simply and radical. The bloody civil war be offering the prospect of indethere, following Indonesia's inva-pendence in order to prove that it

will be unworkable. It is open to question whether East Timor would be a viable independent state. The right way forward is not to pull out overnight, which might merely precipitate a new struggle for power. An extended transition period is undoulotedly risky. Indonesia is desirable, leading to whatever in a state of ferment, following future status the population may choose in a referendum. That might yet result in voluntary adherence to a democratic Indon-

threat. The elections may well Whatever the outcome, it is to prompt more. The new laws are Mr Habibie's credit that he is pre-

Lottery.com

lar in today's financial markets as online broking services and lysts' expectations. internet stocks.

By the end of this year the number of online broking to trade in anything that sports a dot and a com at the end of its name. Why, then, has Arthur Levitt, chairman of the Securities and Exchange Commission, been casting aspersions on the computer nerds' deepening love affair with capitalism?

The answer is that the internet is equally well designed to promote mass speculation. By allowing trades to be executed with extreme rapidity, the technology has the effect of distancing the active trader from any residual sense of the rights and responsibilities of ownership.

In the case of internet stocks, many of which have doubled, trebled, quadrupled and more in recent months, the result looks less like the stabilising speculation beloved of liberal economists than a bubble.

Most of the stocks in question yield no income - the classic defi- The snag is that Americans will nition of a speculative invest- be less keen to do that once the ment. Most of the speculators are bubble has burst. At that point, buying in expectation of an early popular capitalism may become rise in price, rather than any very unpopular indeed.

Few things could be better long-run assumption about earndesigned to promote the cause of ings. Those few who do look at popular capitalism than the inter- the underlying prospects are net. And few things are as popu- mainly concerned with whether losses exceed or fall short of ana-

As Alan Greenspan, the Federal Reserve chairman, remarked yesterday, the lottery principle is accounts in the US is expected to at work here. While many small top 10m. Many of the account companies with soaring stock holders have an obsessive desire prices will succeed, he says, the majority are almost sure to fail. When people know that a stock will be valued either at zero or a huge number, they are prone to pay over the odds. So just as people pay more for a big prize in a lottery, regardless of the odds, they are prepared to pay a premium for internet stock

John Kenneth Galbraith, another celebrated party-pooper. has remarked that in all great speculative orgies new devices turn up to make it easier for the speculator to chase those shortterm capital gains. The peculiarity today is the incestuous circularity whereby the internet facilitates the furious trade in internet stocks themselves.

Mr Greenspan is beartened at the way the internet boom demonstrates an American readiness to put capital into enterprise before the earnings materialise

Last night's get-together

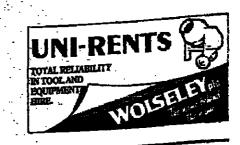
Jospin's, Much to the French president's amusement. C'est la

Jack Cluer wouldn't be seen dead in a Ford. But he's quite prepared to consider being

and the Italo-Monegasque sold

and banking ally Mediobanca decided last year to sell their controlling stake in the Snia operation, Giribaldi spotted his chance.

profitable bidding war but Romiti refused the challenge and sold



THE LEX COLUMN

Ford's new Escort

Volvo's car operation slots neatly into Ford's garage of brands. Pitched just below Jaguar and Aston Martin and as a European counterpart to Lincoln in the US, it rounds out Ford's luxury portfolio. This is a market segment where Jacques Nasser, Ford's combative chief executive, rightly scents above average margins and

With the addition of Volvo's 400,000 annual output as well as the planned expansion at Jaguar, Mr Nasser intends to raise Ford's luxury sales from 250,000 last year to 1m early next century and believes he can credibly challenge BMW and DaimlerChrysler.

For that he is clearly prepared to pay an upmarket price of roughly seven times 1998 earnings before interest, tax, depreciation and amortisation, when BMW and Daimler are trading on four to five times. Put another way, Ford's SKr50bn (\$6.45bn) offer is probably SKr20bn above the stand alone fair value of the Swedish car maker. To bridge the gap, Ford will need to wring SKr2bn-SKr3bn of savings out of Volvo's SKr100bn annual cost base - which seems eminently possible just through better

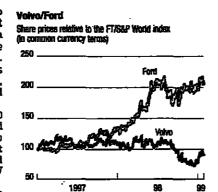
Later on, there should be more savings as Volvo, Jaguar and Lincoln share platforms, engineering and research. But the real prize will be to use Ford's distribution and financial resources to boost Volvo's volumes significantly.

So far, this all sounds uncannily like Ford's 1989 purchase of Jaguar, for which it vastly overpaid and which it then hopelessly mismanaged. But Volvo, unlike Jaguar then, is in good shape. And Ford itself has learned some lessons and is a leaner, better-run company.

News

Asia-Pacific New

Despite securing a surprisingly good price for its car division. Volvo's share price barely budged yesterday. That is not quite as strange as it seems. Investors are worried that Volvo will now blow all the value it has extracted from Ford on Scania. Despite its rhetoric about having several options for building its remaining business, Volvo has seemingly set its heart on its fellow-Swedish truck maker. And that means that Investor, Scania's controlling shareholder, has it over a barrel. The net effect is that Volvo is trading



at a big discount to break-up value. Strip out its cash pile plus its 13 per cent stake in Scania, and the Volvo rump is being valued at about SKr30bn. That is for businesses with sales of SKr102bn and operating profits of Skr5bn. The implied multiples - six times operating profits and 25

per cent of sales - are dirt cheap.

All in all, it would be much better for shareholders if the Volvo rump was now taken out at a premium instead of paying over the top for Scania. A hostile bid would certainly cause a political rumpus. But given the industrial logic of consolidation in the truck industry - and the ability of any bidder to recoup most of its bid costs by raiding Volvo's cash pile - it could just be on the cards.

Features

Arts/Arts Guide

Once bitten, twice shy. There were no horrors in Alcatel's results, but investors still reeling from last year's profits warning should not be wowed by the absence of bad news. The big question facing Alcatel is how it expands in the US. The answer is with difficulty. US telecommunications equipment manufacturers were, inevitably, the first to latch on to the importance of internet-based networks. Alcatel needs to buy in that technology as Lucent and Nortel have done ~ not just to maintain its US presence but to protect its back in Europe. Alcatel's acquisition of DSC Communications did broaden its presence among US telecoms operators, but cannot be billed as an internet technology deal. Meanwhile, sizeable targets

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Markets

are runing out. The few that remain, such as Newbridge Networks, are getting more expensive by the minute. And the French company's paper is unlikely to attract fans in the US right now. Luckily, Alcatel's one redeeming virtue is its

strong balance sheet. A good acquisition would help combat the lethargy that weighs on the shares. Two other things would help. More news on big orders, and proof that it can really get its telecoms margins up from 4 per cent to 7-7% per cent by the end of 2000. Job cuts should help. If Alcatel really delivers on this, it deserves to be let out of the dog-house. But investors should wait for further good news before being seduced into the stock.

Internet stocks

It is a truth universally acknowledged now even by Alan Greenspan - that internet stocks are wildly overvalued. But the inevitable correction could do more than separate the real from the fool's gold. There is a correlation between the internet stock bubble and the popularity of internet trading by retail investors. Both could suffer when the bubble

In the last quarter, 25 per cent of US retail stock trading was on the interpet. Such trading is disproportionately concentrated in about two dozen technology stocks, most of them illiquid and highly volatile. Some brokers have increased margin requirements and at least one firm has stopped making markets in the most volatile stocks. A National Association of Securities Dealers committee is looking for ways to deal with the volatility and now the Securities and Exchange Commission has warned online investors

to take care. Nonetheless, when the correction comes, inexperienced retail investors, used only to rising prices, are bound to cry foul. If an internet stock crash leads to a broader market fall, internet trading could end up carrying the can, just as programme trading did in 1987. In the long term, the benefits of internet trading - greater access and lower costs - are highly desirable. But safeguards to ensure an orderly market, such as minimum float sizes, are needed. And preferably before rather than after a backlash

FINANCIAL TIMES

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Tokyo set to take US steel dispute to WTO

Trade tensions rise over accusations of dumping

Harney in Tokyo and Deborah

The Japanese government is preparing to take the US to the World Trade Organisation over an American lawsuit against three Japanese companies importing

Japanese officials said Tokyo's action could come within weeks. The move follows rising tensions over steel trade and what Japan sees as US steps to impose unilateral sanctions on trading partners.

The dispute involves a suit filed by a US steel company, Wheeling Pittsburg, against Itochu, Marubeni and Mitsui, three of Japan's top trading companies, under the 1916 US anti-dumping act. The lawsuit alleges that the three companies caused injury to Wheeling Pittsburgh by dumping hot-rolled steel from Japan and Russia in the

Japanese trade officials contend that the suit violates WTO rules since the 1916 act itself breaches the principle of national treatment

and does not conform to WTOantidumping rules. The 1916 act is also the target of a separate dispute between the European Union and

the US over steel imports. US steel producers have filed senarate anti-dumping charges with the US International Trade Commission against Japanese steelmakers directly.

US officials have made clear that, unless steel imports from Japan fall, they will resort to whatever measures are available, including domestic trade laws, that allow the US to target and monitor imports from specific sectors and countries.

Bethlehem Steel yesterdayblamed cheap Japanesa imports for its deteriorating performance. It amounced a 57 per cent reduction in net profits for 1998.

In Japan, Shinya Okuda, director of the iron and steel division in the trade ministry, said that the nearly 300 per cent increase in imports last year was the result of market forces and reflected a sharp cient capacity of US mills to fill the tive

Japanese steel exports to the US fell 47 per cent in December, the first monthly decline in more than a year, according to preliminary figures published yesterday.

US Commerce Secretary William Daley said the lower imports from Japan were "good news" but did not rule out future action if steel

imports surged again. He noted that the surge in imports of hot-rolled steel from Japan in 1998 a 385 per cent increase over 1997.

The hot-rolled category is of key significance. US steel producers and unious have filed dumping charges against Japan, Brazil and Russia, alleging that these countries have swamped the US market hot-rolled carbon steel. The sharp decline in December imports partially reflects anticipation that additional tariffs will be forthcoming as the dumping case progresses. Any duties that are applied are likely to be retroactive.

, department. Any duties that are increase in demand and insuffi- later applied will likely be retroac-

Japanese industrial production sees worst decline for 23 years

Av Alexandra Nusbaum in Tokyo

Japan suffered its worst decline in industrial production for 23 years last year, but analysts shrugged off yesterday's data and other gloomy economic statistics as being in line with expectations.

The 6.9 per cent fall in industrial production was the first decline in five years, according to the Ministry of International Trade and Industry. Retail sales declined 4.7 per cent, the second year they had fallen, while domestic vehicle production umbled 8 per cent.

Efforts by manufacturers to cut inventories in response to weak domestic demand were responsible for the decline in industrial production, according to a report issued by Konosuke Ikeya, chief of the ministry's Statistics Analysis Division.

marking the first decline in five

when they fell 7.5 per cent. Inventories fell 7 per cent last year. -

The preliminary December figure for industrial output actually rose 1.8 per cent month on month seasonally adjusted. This was better than Miti's forecast of 0.8 per cent and surprised analysts who expected industrial output to drop in line with December's fall in electricity

demand by large manufacturers. The electricity demand for large users revealed a 3.9 per cent drop in December, following a 4.5 per cent

fall in November. "The three-month moving average for electricity demand usually correlates with the industrial output figures as large manufacturers use about two-thirds of Japan's electricity," said James Malcolm, economist at JP Morgan. "The rise of 1.3 per cent in December was better than

The preliminary December results been warm, so we expected lower years and the largest since 1975 paint a deceptively rosy picture of retail sales," said Mr Morgan.

the Japanese economy. Seasonally adjusted figures show shipments were up 1.4 per cent while inventories fell·1.7 per cent.

out of the past 10 months," said Peter Morgan, economist at HSBC Securities. "The industrial production figures are striking, given this continued decline in inventory

The ministry announced that a survey of manufacturers found that production should rise 1 per cent in January, then fall 0.9 per cent in February. Domestic vehicle production fell 8 per cent year on year in December to 778,141 vehicles, according to the Japan Automobile Association.

The data were roughly in line with analysts expectations. "Winter bonuses were down about 2

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very cold with snow flurries. Five-day forecast The British Isles will be mostly dry and settled. Central, eastern and north-east Europe will be cold with snow flurries, it will become much colder across France. Italy and much of Spain, with showers nea

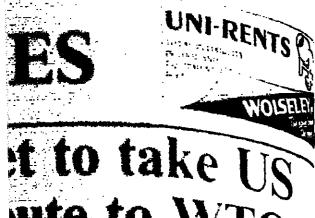
Europe today

Most of Spain and Portugal will be sunny, but the far north will have rain and mountain snow. The breezy and chilly, with heavy showers in central and southern Italy, Greece will be mild with aunshine and showers. Westen France will have rain. Eastern France and the Low Countries will turn increasingly cold, but it should tem Alps, the Balkans and much of eastern Europe will be

to coasts exposed to the north-east winds.

Fair
Sun
Fair
Rain
Shower
Fair
Cloudy
Sun
Shower
Shower
Shower TODAY'S TEMPERATURES Medrid Majorca Majorca Maryla Maryla Maryla Maryla Maryla Maryla Maryla Moscow Murket Nairobi POWER IS MOTHING WITHOUT CONTROL 03000





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Section 1997



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FINANCIAL TIMES

COMPANIES & MARKETS

FRIDAY JANUARY 29 1999

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INSIDE

Tractebel investors seek vote

Small shareholders in Tractebel, the Belgian energy group, are seeking a board meeting to confirm the position of chief executive Baron Philippe Bodson, amid rumours that Suez Lyonnaise des Eaux, the French utility group and majority shareholder, is trying to oust him after sements over strategy. Page 24

BCE announces joint venture plan BCE, the market leader in Canada's C\$16bn telecommunications industry, is to launch a joint venture with Manitoba Telecom Services that moves it closer to becoming Canada's first full service national telecoms company. Page 26

Greece to modernise bond market On February 1, the Greek central bank's electronic bond trading system will open to trading by foreign banks, as confidence grows that Greece will become a member of the euro-zone in 2001. Capital Markets, Page 30

BHP to pull out of Gazprom project



BHP Petroleum, the oil and gas arm of the Australian industrial conglomerate, is to withdraw from Russia after five years of trying to launch an offshore oil development conscrtium project with Gazprom and Rosshelf. The move comes at a time when the government of prime minister

several long-standing grievances of potential foreign oil investors. Page 25 Copper producers flood the market Copper stocks are near record levels. Double-digit growth in Asian demand in the

mid-1990s, along with soaring prices, encouraged copper miners to expand. When Asian markets began to collapse it was too late to cancel the projects. Commodities, Page 32

Vilnius lifted by bank stake rumours Lithuania's normally lethargic Vilnius bourse has had an eventful couple of weeks following rumours that a foreign suffer was to buy a stake in Hermis bank, Lithuania's second largest commercial bank, whose shares rose 35 per cent last week. Emerging Market Focus, Page 42

COMPANIES IN THIS ISSUE

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MARKET STATISTICS

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By Andrew Edgecliffe-Johnson and William Lewis in New York

TRW, the US steering systems confirmed a £4bn (\$6.6bn) offer for LucasVarity yesterday to create the world's second largest independent automotive components supplier.

However, the UK-listed

brakes and serospace group is expected to face a rival offer from Federal-Mogul, the Joe Gorman, TRW chairman, acquisitive US braking said TRW had been allowed to systems manufacturer. conduct due diligence by Federal-Mogul, chaired by

Dick Snell, is expected to retaliste against TRW's 288p per access yesterday. TRW was

unable to buy any LucasVarity shares to strengthen its posi-

TRW bids £4bn for LucasVarity

share cash offer with a slightly higher bid. LucasVarity's shares closed at 290%p, up 7p. Federal-Mogul proposed a half-shares, half-cash conditional offer last week, but it is thought any formal bid would include a full cash alternative. Some UK investors were reluctant to hold US-listed paper.

LucasVarity, although Federal Mogul was only granted such

tion, however. Yesterday's offer included a £30m break-up fee, payable to TRW in the case of a successful rival hid. The fee, which is small by US standards, would cover TRW's expenses to date,

Federal-Mogul, which has spent over \$5bn on acquisitions since September 1997, yesterday granted acce to the information that had been shown to TRW. No count-

Federal-Mogul still expected to make rival offer for UK components group er-offer is expected until it has completed due diligence, and

the group may wait until it sees TRW's offer document. which should come next week. One US investor said he was concerned that Federal-Mogul had previously not been allowed to conduct due dillnce. "This abould be an open and fair auction." he said.

Victor Rice, chief executive of LucasVarity and proposed vice chairman of TRW, said: "Federal-Mogul made a very to reap more than \$200m of conditional offer and at that annual synergies by 2001,

not cut. He added that the deal would immediately benefit sions with TRW." He added: TRW's earnings, and that he was committed to retaining an "We will be appropriately investment-grade credit rating. accommodating when Federal-Mogul make a proper offer." Mr Gorman said TRW would do "whatever is required by He said LucasVarity would prefer a takeover by TRW, way of issuance of equity or

arguing that the synergies in a divestments of non-core busi Federal-Mogul deal would be "dramatically less than with JP Morgan advised TRW TRW". Mr Rice would head the and Lazard Brothers is work combined automotive business ing for LucasVarity. Federalunder Mr Gorman. Mogul is advised by Merrill Mr Gorman said he expected

Swiss and

French to

link stock

exchanges

The Swiss and French stock

exchanges yesterday agreed a

strategic alliance similar to

that between London and

Frankfurt in a move to

increase their negotiating

power in the creation of a pan-

SBF-Paris Bourse and the

Swiss Exchange (SWX) agreed to offer full access to each oth-

er's members to trade equities

and bonds by interconnecting

The arrangements are

They would also begin har-

monising market regulations

and move to create a joint

The alliance gives the two

Under the Anglo/German

bourse", unveiled last July, the

trading platform would be in

place "beyond 2000". The first phase of the plan, involving

cross-membership and single

exchanges a great deal more

planned to be in place by the

European exchange.

their trading systems.

end of June.

clearing operation.

By Vincent Boland in London and Samer iskandar in Paris

Russia's London Club debt price rises 30%

Value of Prins boosted by speculation of restructuring

By Arkady Ostrovsky in Loadon and John Thurnhill in Moscow

The price of Russia's restructured Soviet-era commercial debt. known as Prins. has jumped more than 30 per cent this week on the back of mounting speculation about a restructuring deal.

The price of the publiclytraded Prins, which collapsed at the time of Russia's fmancial crash last August, rose from 6.25 per cent of its face value last week to almost 8.5 per cent yesterday.

Traders hope this restructured London Club debt, which is now technically in default, could eventually be converted into Brady bonds, instruments backed by the collateral of US Treasury bonds.

Richard Gray, emerging market strategist at Bank of America, said: "What investors are paying for is the chance that London Club debt would be converted into Brady bonds. However, that is very remote for the time being."

that the US Treasury has been sounding out market opinion about how Russia's \$150bn external debt burden might be alleviated.

It also follows recent talks between Russian finance officials and the Paris Club of sovereign creditors, which also hold billions of dollars of Soviet-era debt.

Philip Poole, east European economist at ING Barings, said Russian debt could be restructured in the same way as Poland's was in the early At that time, the US Trea-

sury persuaded the Paris Club to write off a large chunk of Poland's debt - mostly owed to west European countries - and then restructured it. "It could be very similar in

Russia. The US will take the lead and use other taxpayers' money to get a foreign policy benefit for themselves," Mr Poole said. Any restructuring deal could

involve some debt forgiveness by the London Club creditors The rally in the Prins mar- and the restructuring of the ket has been fuelled by reports \$22bn of the principal Soviet-

era debt into new dollardenominated Brady bonds, which would be traded on international markets.

But discussions about restructuring Russia's external debts are at an early stage and cannot be consummated until Russia strikes a deal with the International Monetary An IMF mission is holding

talks in Moscow with the Russian government, but has criticised the country's draft 1999 budget as unrealistic suggesting any agreement is still many weeks The Russian finance minis-

try has attempted to draw a sharp distinction between Soviet-era debt and post-1992 debt issued by the Russian Federation, which it claims is "mtonchable" It is strongly resisting any

suggestion that its sovereign eurobonds should be included in a comprehensive debt restructuring scheme.

Page 20



and launch costs for its new mobile phones would hold back profits. grow faster than the market in the long term. Page 24

clout collectively in the protracted negotiations among eight European bourses to set up a single trading platform for the shares of Europe's top Ericsson, the Swedish telecoms group, warned that volatile markets companies. Sven-Christer Mileson, chief executive, said Ericseon was determined to plan for a European "super-

CHICAGO BOARD OF TRADE DECISION TO END ALLIANCE IS SLAP IN THE FACE FOR FRANKFURT EXCHANGE

Eurex faces a tougher future

Niikki Tait in London

1,24

1,23

Officials at Eurex, Europe's largest derivatives exchange, have been given a crash course this week in life's changing 24 fortunes. The decision by members of the Chicago Board of Trade, the world's largest derivatives exchange, to tear up a long-planned alliance

with Eurex is a slap in the face for the Frankfurt exchange. Coming so soon after the London International Financial Futures and Options Exchange converted its dominance in D-Mark interest rate futures into an unexpectedly dominant position in euros. the outlook for Eurex suddenly

looks less certain. "If Eurex had launched a

the CBOT, Frankfurt would the France-based exchange, have looked impregnable," says Ed Condon, head of European derivatives at Credit Suisse First Boston. "As it stands, Liffe is beginning to look like a strong rival to Eurex again."

Just nine months ago, Eurex overtook Liffe as the largest exchange in Europe when it won majority share in the vital futures contract in the 10-year German government bond. Eurex executives then set their sights on Liffe's other area of strength, the market in threemonth interest futures.

But, having strenuously resisted the superiority of electronic trading - which had been deployed skilfully by Eurex to undercut Liffe - the exchange has embraced screen trading with one benefits from competition ing Chicago Board Options single trading platform with all the zeal of a convert. Matif, between equals."

has also abandoned its "open outcry" floor trading system in favour of screens. Eurex has thus lost its chief competitive advantage. "Suddenly, Liffe is the one

with the modern trading plat-

form," says a senior official at a German bank. "But Liffe should not get too complacent because the system has not been tried and tested vet." Analysts say the battle between the two exchanges is

likely to settle into a more stable rivalry, with Eurex dominating long-term, fixed-income contracts and Liffe dominating shorter-maturity contracts. "The market should be pleased that Liffe looks like surviving," says Mr Condon. "Every-

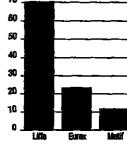
also uncertain. Many members think the exchange will still need a viable electronic trading platform, if only to deal with competitive threats. At present, CBOT has its "Project A" system - used mainly for after-hours business - but its capacity is widely seen as lim-

tronic alternative." says Jim Gary, global futures manager at ABN Amro. "If they want Project A to be that alternative, it needs to be upgraded. The question is, can that be done? The pursuit of partners may

"The CBOT needs an elec-

also continue. David Brennan, CBOT chairman, is known to have contacted the neighbour-Exchange, which is looking to

Average dally volume from Jan 19-27, 1999 (1000s)



develop its own electronic platform. The rival Chicago Mercantile Exchange has also previously offered to collaborate on technology. "Utopia for me would be the CBOT, the CME, possibly the CBOE and possibly Liffe, all coming together with one electronic alterna- the pan-European stock mar-

points of liquidity for UK and German shares in their home markets, took effect on Januarv 4.

Observers said the Franco Swiss agreement would hasten the process of harmonising Europe's diverse exchange But it could also increase the

tension among the top four markets - London, Frankfurt, Paris and Zurich - over controi of the venture and over crucial questions of technology and indices.

The French bourse had sought to create a rival to the Anglo/German deal but failed to persuade other European exchanges to join it. Yesterday Paris and Zurich stressed their alliance was complementary to the initiative rather than in opposition to it.

Jean-François Theodore, SBF chairman, said: "It is an integral part of efforts to build

Alcatel pursues acquisitions to boost internet role

the French Alcatel. 'two or three" multimillionstrengthening its position in net," he said. internet-related technologies, Serge Tchuruk, chairman, said

The prospective deals would be of a similar size to last

internet technology provider. which had an implied value of telecommunications equip- \$315m, the Alcatel chief ment company, is working on suggested. "The objective for 1999 is to adopt a strategy dollar acquisitions aimed at largely centred on the inter-

His comments, as the group released preliminary 1998 results in line with expectations, were not enough to prevent the shares falling 3.5 per

tively buoyant Paris market.

Analysts attributed the tumble to a reduction in 1999 profit was mild compared with the expectations for the core tele- reaction four months ago, coms sector.

that telecome unit operating results wiped FFr70bn profit would grow 50-60 per cent this year," said Douglas Smith, analyst with Salomon Smith Barney. "Now they are looking for operating profit remained depressed, making it provisions. growth of 40 per cent. That is a difficult for the company to healthy performance but lower make more acquisitions using just over 10 per cent to Lex, Page 22

Yesterday's share price decline when a profit warning deliv-"Previously, it was expected ered with Alcatel's interim (€10.7bn, \$12.36bn) from its market capitalisation in a sin-

than previous expectations." rapid consolidation of the industry.

Alactel's preliminary 1998 net income was a record FFr15.3hn, up from FFr4.7bn a year earlier, after a FFr13.2bn after-tax capital gain from the gle day.
Since then, the shares have disposal of non-core assets and FFr2.5bn in new restructuring

Income from operations rose

shares at a time when all- FFr6.5bn. In the core telecoms paper transactions are driving unit, income from operations rose 80 per cent to FFr4bn Sales in the transport and access segment rose more than 40 per cent due mainly to the "explosion" in internet traffic.

Last year's figures included

a four months' contribution from DSC Communications, the US telecoms equipment company acquired last year.

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virgin atlantic

Paul Betts in Millar and Alexandra Harney in Tokyo

division, Ford has put the raises over NedCar, its joint global automobile industry on notice once again that Size matters.

And its takeover of Volvo's car arm will have knock-on effects throughout the sector, some of them alarming for its more vulnerable members.

Chrysler last year moved the industry, as this week's bat • DaimlerChrysler sepagoalposts when it comes to the between TRW and Federconomies of scale. This year al-Mogul for Lucas Varity it has made the search for underscores. Current negotipartners much more urgent for Volvo's disappointed

Most directly affected are group Scania, to overtake Fiat and Mitsubishi - Flat DaimlerChrysler as Europe's

The front-page headline in

Sweden's top-selling

evening paper was

blunt: "How could you,

Over six pages, Expressen accused Leif Johansson.

Volvo chief executive, of

presiding over the disposa

of one of Sweden's industrial

crown jewels - describing it

as a wretched decision and a

sorry day for Scandinavia's

Mr Johansson, of course,

saw the SKr50bn (\$6.5bn)

sale of Volvo Cars to Ford of

the US in a somewhat differ-

ent light. He called the deal

a springboard for Volvo to

become a leading participant

within the truck, bus and

construction equipment mar-

Certainly, the Swedish

automotive group has built

up a sizeable war chest to

finance its expansion in

those areas, with cash

reserves estimated at

But selling Volvo Cars

the group's largest division

Having sold it, Mr Johans-

son and his management col-

leagues must prove they can

recycle the cash in a way

that will bolster shareholder

value and growth prospects

in the remaining company.

vented Volvo as a commer-

night." said one analyst. "He needs to expand by acquist

"Leif has basically rein-

by far - was the easy bit.

SKr60bn to play with.

largest econom√.

sectors and Mitsubishi ness, making approaches to because of the uncertainty it Scania and Volvo. Renault car-making venture with in Scania; Volvo in the Netherlands.

But it will also have consebehind-the-scenes pegotia- about taking a substantial tions going on in the industry that will change its global face by the millen- • VW, Ford and Fiat, said nium. The consolidation The creation of Daimler- includes the components

> ations include: Volvo seeking the takeover of rival Swedish trucks

first produced in 1927

has also expressed interest

• Renault and Daimlerstake in the troubled Japanese car maker.

made approaches to Nissan; rately in talks about acquiring Nissan Diesel, a truck and engine affiliate; DaimlerChrysler having had informal contacts with Mitsubishi Motors, although

speculation of an alliance is

Leif accused of selling country's crown jewels

Political obstacles lie ahead of Volvo's transformation into a pure commercial vehicle maker, says **Tim Burt**

1,812

1,444

181

472

shareholder revolt which But significantly, it

solidation

by London analysts to have

BMW and its UK subsidiary,

Rover, or Honda. Fiat, the filted partner in the Ford/Volvo deal, is perhaps under the greatest pres-Chrysler confirming they are sure to merge or make an quences for other sets of in talks with Nissan Motor acquisition. It is expected today to announce sharply lower preliminary 1998 financial figures and poor prospects for this year, adding to

> alternative to Volvo. It is also heavily exposed to emerging markets such as Brazil. Although this could be partly offset by the unexpected buoyancy of European new car sales, analysts warn that a downturn in Europe could quickly create

the urgency of finding an

Fiat is now left with the fear that Volvo will use Ford's cash to pursue its takeover of Scania, increasing competitive pressures on Iveco, Fiat's truck division. and perhaps driving it into merger with Renault.

For struggling Mitsubishi, the loss of Volvo at NedCar would jeopardise its tentative position in the Euronean market. The Carisma. produced at the Dutch plant alongside Volvo's \$40 models, is Mitsubishi's best-selling car in the region, and co-operation with Volvo at NedCar on platform design allows Mitsubishi to reduce research and development

dialogue will continue but

we will not over-pay for

Scania," said one Volvo

People close to Scania suggest Investor would not sell

for less than SKr350 a share,

valuing the company at about SKr70bn. At yester-

day's market close. Scania

was capitalised at SKr47.7bn.

logic behind such a deal is

thin. Both companies have

recently launched new plat-

product cycles in Sweden.

would not realise synergies

from a common truck for

perhaps 10 years. Even then,

stripping out the overlap in

marketing, distribution and

production could lead to

some 7,000 job losses in Swe-

Yesterday however, Mr

Johansson showed he was

announcing the closure of

Volvo's truck assembly plant

at Irvine. Scotland, with the

loss of 450 jobs. He will have

to be equally hard-headed to

persuade Investor to part

industry equivalent of no-

man's land. It would have a

promising position in com-

more. "It is not a question of

The danger is that failure

company with Scania.

described the approach as mercial vehicles and a large

"one alternative among oth- cash pile, but not much

forms and, given the long

In any case, the industrial

insider.

Volvo buy steps up scramble for size Swedish marque fits because of the blow it deals to the Italian group's aspirations in the car and truck sectors and Mitsubishi sector search for luxury

William Clay Ford and Jac Nasser, Ford chairman and chief executive since January 1. have made their mark faster than anyone expected with one of the biggest deals in automotive history.

The US carmaker's agreement to pay \$6.45on for Volvo's car division will barely dent the rankings of the world's top carmakers. The Swedish group's relatively modest output of almost be enough for Ford to challenge General Motors as the world's biggest vehicles

But the acquisition which follows Ford's purchase of Jaguar and Aston Martin in the UK confirms the US group's credibility as a luxury carmaker and the resources and ambitions of its new

Ford is estimated to have \$16.9bn in net liquidity. Although buying Volvo will reduce that pile, this may not be the last purchase for Mr Ford and Mr Nasser at a breakneck time consolidation in the motor

Ford owns a controlling 33.4 per cent of Mazda, the Japanese car company being increasingly integrated into its operations. Many analysts believe Ford will eventually raise its stake to reflect its massive investments.

Before then, Mr Nasser, an amhitious workaholic who has played a substantial part in turning Ford into the willing to make cuts by world's most profitable carmaker, will want to get to grips with Volvo.

Yesterday's deal gave him control of one of the world most familiar car brands. With "brand management" now guiding many car companies. Ford believes to secure Scania could leave Volvo will fill an important gap in its portfolio. Volvo in the automotive

The Swedish marque will complement Lincoln, Ford's home-grown luxury brand, and Jaguar, the UK carmaker it bought in the

older buyers, while Jaguars motor industry executive. "But having done one part of have a sportier, more struction equipment is near demned Volvo's strategy and that may also have per-reflects a nagging realisation a two-step transformation, its peak."

demned Volvo's strategy and suggested it was motivated suaded him not to pursue an at Volvo that Investor will Leif must now finish the masculine image. Volvos, by contrast, appeal more to women and families, and

Tractebel

investors

seek vote



On show: Ford launched its compact European car, Ka, in Japan yesterday. Elji hvakumi (right), president of Ford Sales in Japan, is tured with the three-door hatchback, which has undergone modifications for local climatic and traffic conditions, and will

become available for Y1.5m (\$13,000) in March have a particularly strong That has already led to subsence in the north-east of stantial savings at Jaguar. the US, where Ford has where the new S Type tended to be weak. Volvo will plug a similar

gap in Europe, where Ford, manufacturers, has found it increasingly difficult to sell relatively expensive executive models because of its utilitarian brand image. Although Jaguar is mov-

ing downmarket with smaller models. Ford believes there is a sizeable gap to plug. It had intended to establish Lincoln as a new brand in Europe to fill the

But delays in launching Lincoln's smaller LS6 and LS8 models have prompted speculation that the strategy may be revised. The acquisition of Volvo makes that even more likely.

Yesterday's press conference announcing the deal said little about the economies of scale and savings that Ford hopes to achieve. in the short term, savings will come through combining functions, such as logistics. With the US being Volvo's biggest single market. where it sold more than 100.000 cars 1

saloon being introduced this year is based on the same engineering architecture as the new Lincolns. Such "platform sharing"

should allow Volvo to expand into new products. such as sports utilities and people carriers not built today.

Eventually, the platform sharing will extend to Volvo's core saloons and estate

That will not happen for some time, however, as the Swedish group has invested heavily in recent years in a new family of vehicles, which are only now going on

The full benefits of platform sharing can not be achieved until Volvo's next generation of products, at

Before then, Ford will try to substitute its own components for some of the parts Volvo now buys from specialist suppliers.

Ford's Visteon components subsidiary is the world's second biggest parts maker. Desperate to lose its image scope for savings is consider- teon has been bidding aggressively for business Later Volvo would be inte-grated into Ford's new Volvo should provide rich model development process. pickings.

vel-field

TELECOMMUNICATIONS COST OF LAUNCHING NEW MODELS TO HOLD BACK FIRST HALF PROFITS

Earlier this month, Volvo partly by a desire to seek a all-out merger with Fiat, demand a hefty premium for job."

413

its Swedish who would find the car dis-

Ericsson warns on market volatility

"Swedish" solution to mol-

Given the memory of the

scuppered Volvo's 1993

merger with Renault of

France, Mr Johansson could

be forgiven for trying to

launching a dawn raid on lify unions and politicians Italian automotive group.

posal hard to swallow.

By Tim Burt in Stockholm

Ericsson, the Swedish strongly denied that the subtelecommunications group, yesterday warned that volatile markets and launch profits warning within a costs for its new family of mobile phones would hold the market conditions back its profits for the first which, earlier this week, half of this year.

The company, announcing job losses. full year profits up from (\$2.47m), said rising research

the first half of last year. Senior officials, however. dued market outlook represented Ericsson's second month or any worsening of forced it to announce 11,000

signalled its intentions by

arch-rival in heavy trucks.

The company spent SKr5.2bn

But Investor, Scania's con-

main holding company for

Sweden's Wallenberg busi-

in heavy trucks and con- amused. In private, it con- about to sell out altogether.

tion at a time when the cycle ness empire, was not demonstrate that he was not industry.

to buy almost 13 per cent.

Scania.

cial vehicles business over- trolling shareholder and the

SKr18.8bn to SKr19bn shares fell sharply after the company surprised and development costs the market by warning that would also contribute to fourth quarter profits would lower interim profits than in be 15-20 per cent below

market expectations. "This is not another profits warning. We are just about market conditions." said one official.

In spite of vesterday's cautious statement, Ericsson's most commonly traded B shares rose \$Kr17.50 to SKr210. Industry analysts Last month. Ericsson's said the price rise partly reflected strong sales expectations for Ericsson's new family of mobile phones, which were launched vester-

voice activated calls in which users do not need to press any buttons. Ericsson declined to reveal the development costs of the so-called

much to the chagrin of the

Volvo yesterday said it

would seek talks with Inves-

tor over the future of Scania.

ers to participate in the con-

That apparent reticence

T-28 range. "In addition, they are maintaining volumes and it of 70 per cent between 1997 should be no surprise that they have damped first half expectations in the second half," said one telecoms analyst in London, who asked not to be named Meanwhile, the company term.

The innovative products said that last year, operating include, for the first time, profits rose from SKr18.8bn profits rose from SKr18.8br to SKr19.3bn on sales ahead from SKr167.7bn to SKr184.4bn. The operating margin shrank from 11.2 per cent to 10.4 per cent.

> The 6 per cent increase in profits compared with a rise and 1998. Sven-Christer Nilsson,

chief executive, reiterated that Ericsson was determined to grow faster than the market over the longer

on chief By Neil Buckley in Brussels Small shareholders in Tractebel are seeking a board meeting to confirm the position of chief executive Baron Philippe Bodson.

amid rumours that the Belgian energy group's majority shareholder is trying to oust The move follows Belgian media speculation that France's Suez Lyonnaise des Eaux, the utility group that owns 50.3 per cent of Tracte-

bel, is attempting to engineer Ms Bodson's removal after disagreements over strategy. Mr Bodson has long been known to favour a merger of Tractebel with its main subsidiaries Electrabel, the Belgian electricity monopoly,

and Distrigaz, the natural gas group, an idea about which Suez remains cau-The move marks another sign of the emergence of a fledgeling Belgian share-

holder rights movement. Philippe Delville, a former financial analyst and consultant, who with two associates has formed a group calling itself the European Foundation for Corporate Governance and Business Ethics, wrote yesterday to five Tractebel board mem-

He insisted they should call a meeting to assess whether the board's composition was in line with Tractebel's statutes, which limit Suez to half the members minus one, and to confirm Mr Bodson as chief executive - effectively a confidence

If directors did not respond by midnight next Monday, Mr Delville said he would attempt to get the Brussels commercial court to force them to do so.

NEWS DIGEST

METALS

Elken sells manganese unit to Eramet of France

Elken, Norway's leading metal producer, yesterday said it will sell its manganese business - representing a quarter of its total sales - to Eramet of France, in a deal worth

The sale was triggered parity by the cancellation in December of Elken's 10-year agreement with Broken Hill Proprietary, the Australian mining giant, to supply it with

That left Elken without a direct supply of manganese ore, which handicapped the company in a market dominated by a handful of large companies with such access. "You can't be alone in this business, either on the ore or the steel side," said Ottar Haugerud, an analyst at Orkla

Finans, a brokerage. The acquisition will make Eramet the world's leading producer of manganese alloys and give it the ability to offer a comprehensive range of products for the steel

industry, Eramet said. Under the deal, Elken will sell its three manganese plants in Marietta, Ohio and Porsgrunn and Sauda in Norway for Nkr1.5bn by the second quarter. The price excludes accounts receivable of Nkr550m retained by Elken and will result in a pre-tax gain of Nkr197m after expenses. The sale leaves Elken with its core business aluminium, ferrosilicon and silicon. "We are convinced that vertical integration is essential for most leading businesses," said Ole Enger, Elken chief executive.

Valeria Sköld, Osio

Giribaldi covets deputy post

Luigi Giribaldi, the Italian businessman based in Monte Carlo, yesterday confirmed his intention of becoming deputy chairman of Snia Bpd, the Italian fibres, chemicals and biomedical company, in which he has built up a 28.37 per cent stake together with his alties, Banque du Gothard and Cornelio Valetto, a north Italian industrialist.

He will replace Cesare Romiti, the former Flat chairman, who at one stage had appeared intent in becoming a core shareholder of the company. However, Mr Romiti decided to avoid entering into a bidding war with Mr Giribaldi and sold the 3 per cent stake in Snia held by his Gernina holding company. Instead, the former Flat chalmman, often regarded as one of Italy's most powerful industrialists, has decided to concentrate on his publishing and media interests. Mr Ghtbald's raid on Shia is seen as a clear sign of change in the traditional structure of north Italian capitalism dominated for decades by the so-called salotto buono, the fine drawing of Italian business centred around Mediobanca, the Milan investment bank, Flat, and other blg companies.

Umberto Rosa, the chief executive expected to be reconfirmed at the helm of the company, has also proposed the stock market delisting of two subsidiaries, Sorin and Caffaro, and their integration into the Snia holding. Paul Betts, Milan

SKF tumbles into the red

By Tim Burt

SKF, the world's largest manufacturer of rolling bearings. yesterday announced a full year loss of SKr2.06bn (\$267.5m) following a collapse in Asian demand, intense price pressure and increasing production costs. The company, which

reported a SKr2.11bn profit in 1997, has embarked on a hefty restructuring to improve profit margins and cut costs by SKr1.5bn a year. The restructuring, involv-

ing more than 2,500 job losses last year, forced the company to make a provision of SKr3.14nn against its 1998 figures. After taking such provi-

sions, the company reported an operating loss of SKr999m compared with a profit of SKr2.95bn last time. although sales rose 2 per cent from SKr37.7bn to SKr36,9bn.

SKr600m a year. Sune Carlsson, the chief SKr14.40, compared with executive recruited last year earnings of SKr13.70 and the from Swiss-Swedish engi-

quarters are likely to remain weak until the efficiency improvement programme starts to improve profits."

As part of that programme, the company has decided to close its seals plant in North Carolina and withdraw from the textile machinery components sec-

It has also decided to halt US production of tapered roller bearings, and close or restructure a number of plants in Europe.

Of the group's three main operating divisions, the company's bearings arm lost SKr1.18bn compared with a SKr2.29bn profit last time. Profits from seals fell from SKr377m to SKr65m, and in steel from SKr242m to

SKr1m. Mr Carlsson said the restructuring measures should improve earnings by

Losses per share were full-year dividend has been neering group ABB, warned: cut from SKr5.25 to SKr2 a "Demand is expected to con- share. SKF's most commonly tinue to decline this year. traded B shares fell SKr1 to Earnings for the next few SKr97.

Rhône-Poulenc will not sell Rhodia this year

By David Owen in Paris

Shares in Rhodia, the French specialty chemicals company, climbed strongly yesterday after the chairman of its majority shareholder indicated its remaining 68 per cent stake would not be sold this year.

The shares closed up 86 cents in Paris at €12.71. This followed an advance of 65 cents the previous day after the group announced annual profits of FFr762m (€116.2m, \$133.7m). Jean-Pierre Tirouflet, chairman, forecast an improvement of around 75 per cent in 1999.

The company was partly spun off seven months ago by Rhône-Poulenc, the life sciences group which recently agreed to merge its pharmaceuticals and agrochemicals businesses with

Hoechst of Germany. Jean-René Fourtou, Rhône-Poulenc chairman, said he thought Rhodia, which was floated at FFr140 a share. was undervalued. He was "not in a hurry" to sell, although the company is

within, at most, three years.



Speaking at a Paris news conference to announce Rhône-Poulenc's 1998 results. Mr Fourtou also poured cold water on suggestions that Novartis, the Swiss life sciences company, might make a bid for

Hoechst. "A bid is always possible; on a practical level, it is difficult and dangerous," he said. "It would astonish me if a professional business expected to be offloaded threw itself into such an

adventure.'

Net income weighed in at FFr4.22bn, against a 1997 loss of FFr4.99bn which followed heavy restructuring Stripping out one-off

while earnings per share rose 12.5 per cent to FFr11.45. Net sales dipped 3.5 per cent from FFr90bn to FFr86.8bn. A gross dividend of FFr6 per "A" ordinary

share is recommended.

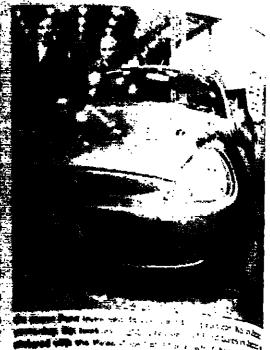
Items, net income climbed

23 per cent to FFr4.21bn,

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Ish marque fits Il with Ford's Infor luxury

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FINANCIAL TIMES FRIDAY JANUARY 29 1999

COMPANIES & FINANCE: ASIA-PACIFIC

LIFE ASSURANCE PRESSED BY GOVERNMENT TO IMPROVE FINANCES

Chiyoda urged to find foreign partner

Chivoda Life, one of Japan's top 10 life assurance companies, is coming under government pressure to boost its financial strength, possibly by taking a foreign part-

The government has encouraged several weak life assurance groups to seek such partners over the past year. Toho Mutual, for example, has effectively sold its new business to GE Capital. the US group; Daihyaku formed a similar alliance with Manulife, the Canadian group; and the successor company to Nissan Mutual

Chiyoda's solvency margin, at 314.2 per cent, was one of the lowest in the sector last year, which had an average of about 660 per cent. The solvency margin, a key indicator of financial health, measures the excess of the value of assets over the amount of liabilities available to cover future insurance claims and invest-

admitted it was "closely monitoring" its solvency margin, ahead of a planned inspection of the life assurance sector by the govern-

It added that although the company was "concerned" about the ratio, it was taking steps to deal with the issue.

The comment highlights increasing pressures in the life assurance sector, which has been badly hurt by recent slumps in the Japanese stock market. The Nikkei 225 yesterday closed at 14,342.32, down from 16,527.17 at the end of the 1997 fiscal year. Chiyoda also had unreal-

ised equity losses - or the gap between the book and market value - of Y208bn (\$1.8bn) at the end of September. However, the company said it had enough reserves to meet this.

"We expect our net operating profits to reach Y60bm this fiscal year. And income deficits arising through negative yields will be more than covered by profits

Chiyoda yesterday insisted arising from mortality rates it was healthy. However, it and expenses. And cancellation rates have steadied." it said.

> cated that any company with a solvency ratio under 200 per cent will be encour aged to leave the market after its inspection.

Most of the weakest groups have already entered into alliances with foreign partners - while many of the rest will meet solvency margins. A senior FSA official said: "The scale of the problems (in the life assu industry] is likely to be much smaller than the market expects at the moment ... most of the problem com panies have already been

dealt with." However, solvency margins have been falling in the industry because, of bad loans, tumbling equity and real estate prices, and a strengthening yen. "Problems with their equity portfolios are just the tip of the iceberg," said Robert Garone, non-bank financials analyst at Dresdner Klein-

Tariff rise delay to hit Telkom revenue

Telekomunikasi Indonesia, the domestic telephone utility, and its foreign partners such as US West and Cable and Wireless face a shortfall in revenues as the government has yet to approve tariff increases.

Telkom, which is majority-owned by the state, said the the water with consumer groups and a restless parliament and before approving a 24 per cent tariff increase that had been planned for February 1.

"That means we will miss that deadline," it said. "Maybe it can start in

The delay also affects Telkom's joint operation

nues by 13 per cent, he said.

invested \$1,28bn since 1995. but the fall of the rupiah has hit their returns. Telkom had asked for a 30 per cent increase in call tar-

along with US West and

Cable and Wireless, have

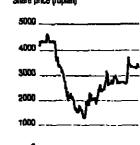
iffs, but Setiawan Sulistyono, head of investor relations, said the group needed a 42 per cent increase just to compensate for foreign-excharge losses on \$400m in off-shore debt if the ruptah stabilised at Rp8,000 against the dollar. An increase of 24 per cent would boost reve-

much of Indonesia, with a rises, but they have obtained range of foreign and domessome compensation from Telkom, which agreed last tic companies. Cables & Radio of France, Telstra of year to a reduced share of Australia and Singapore Tel, Mr Setlawan said no fur-

ther concessions were possible. Moreover, a government auditing agency has launched an investigation into the renegotiation of revenue sharing, suspecting Telkom gave in too easily. Telkom shares had riser

on news of the tariff increases, helping bolster the share index as Telkom is the largest stock on the market. Analysts said investors remained confident about the company, however, and expected it to outperform the market when annual results The foreign ventures come out in February.

schemes (KSO), which cover 'would need even greater Telekomunikasi Indonesia Share price (rupialt)



'They've kept costs extremely tight," one analyst said. "Their debt load is small. They have no cashdownturn in demand by increasing subscriptions because of discounts and sharper increases in fees for alternative services, such as public transport and the post. Tough cut-off deadlines and low monthly fees kept the collection period steady in the third quarter of last year, at 43 days. Telkom profit forecasts for

defied its own prediction of a

1998 ranged from Rp400br (\$14m) to Rp900bn. Mr Sullstyong said the difference could reflect booking of an expected tax refund in 1996 of Rp500bn, based on Telkom's net loss of Rp1.176.7bn in the first half of 1998. A rebound of the rupiah brought Telkom back to net profits of Ro326.1bn in the

BHP pulls out of Russian oil development

By Robert Corzine

BHP Petroleum, the oil and gas arm of the Australian cost of the proposed developindustrial conglomerate, is to withdraw from Russia. BHP said it was pulling out of the Prirazlomnoye offshore oil development consortium in the Russian Arctic after five years of trying

to launch the project with

Gazprom, Russia's biggest

The Australian company said the estimated \$1.5bn ment could not be justified "when judged against competing projects within the

The government of prime minister Yevgeny Primakov is trying to address several long-standing grievances of potential foreign oil inves-

company, and Rosshelf. tors. This week, the Federation Council, the upper house of the Russian parliament, approved long-sought after changes to the production sharing laws.

But low oil prices and the difficulty many western mpanies have encountered in dealing with Russian partners mean such reforms are unlikely to lead to any

much it had spent on Prirazlomnoye, but four wells were drilled on the remote field, which is believed to contain about 400m barrels of recoverable oil. The company did not book any of the Prirazlomnoye reserves and

BHP declined to say how

has already written off its investment. Gazprom and Rossholf are tion should the field be said to be keen to pursue the

would only make economic "high teens" rather than the current range of \$10-\$12. BHP will convert its 50 per cent working interest in Priraziomnoye to a 5 per

interest. It will be able to

claim 5 per cent of produc-

project, but BHP said it

Fuji increases stake in Yasuda

Fuii. one of Japan's largest banks, is to make Yasuda Trust a subsidiary by raising its stake in the group from 17 per cent to more than 50 per cent in the latest sign of consolidation in Japan's

The move, announced vesterday, will leave Yasuda Trust effectively under Fuji's control and could pave the way for a merger of most operations at the two banks. both members of the Fuyo keiretsu. It follows a wave of mergers and alliances affecting companies such as Mitsui Trust, Chuo Trust, Sanwa and Toyo Trust.

particular, the Financial However, yesterday's Supervisory Agency, the announcement suggests banking watchdog, and the growing pressure for faster Ministry of Finance wants to restructuring. weed out the weakest banks before injecting Y25,000bn

the banks' capital base.

since its share price fell sharply at the end of 1997. Although the group has a good pension business, it was heavily exposed to the property sector during the 1980s bubble, which left it weighed down by massive

The Fuyo keiretsu, or corporate family, attempted to rescue the group last year through a capital injection. Yasuda then sought to strengthen its position by announcing that it would form a joint venture with Fuji and Dai-Ichi Kangyo to run asset management business through a merger of their trust bank operations. Further consolidation may This proposal would have follow as the government siphoned Yasuda's healthiest increases the pressure on business into a new venture banks to restructure before to pave the way for a slow the end of this fiscal year. In reconstruction of the group.

Under the deal, Yasuda will allocate Y300bn worth of (\$217bn) of public funds into new capital to Fuji, which is expected to seek up to Yasuda Trust has been Y1,000bn of public funds to considered one of the sec- boost its capital base. IFC to launch

Asian equity fund

By Peter Montagnon, Asia Editor, in Washington

The International Finance Corporation, the World ally not available in Asia. Bank's private sector unit, is preparing to launch a \$500m-\$750m private equity fund to promote corporate restruct-

The fund, one of the larger such products launched move later to Indonesia and since the Asian crisis broke, Malaysia. aims to help international institutional investors buy low-priced Asian assets. Its up since the Asian crisis launch is part of the debt broke, bankers say investors restructuring initiative announced by the US and the likely returns, while Japan at last November's Asian entrepreneurs were Asia-Pacific Economic reluctant to sell assets at Co-operation summit.

IFC is to take a direct But Mr Assaad said much stake of \$75m-\$100m in the depended on the effectiveof its equity contribution it sell assets. will make \$50m-\$100m avail-

able for long-term loans. when an Asian conglomerate were past their trough.

was seeking to sell a subsidIn Indonesian, where was seeking to sell a subsidcial markets executive.

sion of a long-term lending facility should add to the fund's appeal since long-term loans were gener

The fund expects to start investing in Thailand and South Korea, where the IFC has just launched a \$130m venture capital fund led by Hambrecht & Quist. It will

Though several private equity funds have been set were initially worried about

fund, and is evaluating a ness of bankruptcy proce-short list of venture capital dures which can force comhouses to manage it. On top panies to restructure and Korea was most advanced

in this regard, and the rise A typical investment in its stock market was also opportunity would arise an indication that prices

iary to raise cash and re- bankruptcy procedures were focus its operations, said not yet effective, the pain Hany Assaad, an IFC finan- threshold which might make conglomerates sell had not

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1996

Top 10 Euroloan Arrangers

Pos Arranger Amount No of 1.Barclays 32,503 25,531 120 1997 25,347 142 25,275 145 18,287 125 Top 10 Euroloan Arrangers 17,604 121 15,566 115

1.Barclavs 1998

Pos Arranger

Top 10 Euroloan Arrangers

Pos Arranger	Amount (\$m)	No of Loans
1.Barclays	29,220	126
2.Citigroup	20,990	105
3.Deutsche	20,812	95
4.Chase	18,575	81
5.HSBC	15,193	66
6.Greenwich NatWest	12,997	57
7JP Morgan	11,478	31
8.BNP	11,312	41
9.SG	10,723	123
10.ABN AMRO	10,531	62

Amount No of (\$m) Loans 22,735 153 20,536 94 103 17,416 17,073 99 15,563 54 14,865 124 83 14,575 123 12,831 12,451 68 95 11,136

Corporation - LPC

12,841 65 12,552 i.oanware/Euroweek

61

14,952

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Mr Assaad said the inclu- yet been reached.

PAL debt payment

national carrier, will today pay \$37.9m to secured credi-

Tan in Manila The group's interim to secured creditors. receiver warned in a letter to tial risk" if no payment was made and that secured credi-tors may seize PAL's aircraft demanded PAL pay \$100m by in a country not bound by the end of January.

Philippine Airlines, the Philippine or US court

PAL is expected to use tors as a gesture of good operating funds to meet the faith and to forestall threats payment, its first since it to seize its fleet, writes Abby defaulted on \$2,25bn in debts last year. \$1.33bn was owed

PAL's creditors last year the Securities and Exchange rejected a rehabilitation plan Commission of a "substan- which involved getting a

By Roger Taylor in San Francisco

The race to be number one in the internet picked up speed yesterday with the news that Yahoo! the leading search engine and portal. is buying Geocities, a web community where people can set up their own web pages and meet people with similar interests.

Yahoo.com, formerly the top-rated internet site, recently lost its leading position to AOL.com, run by America Online, the largest internet company.

The acquisition of Geocities, for \$4.7bn, should take Yahoo! back to the top spot. Geocities is the third most popular site on the net with 19m visitors a month, compared with 28m for AOL.com and 27m for Yahoo.com.

The move is the latest in an increasingly frantic scramble by the leading internet sites to establish dominant positions.

Last year, AOL announced plans to buy Netscape, which operates the fifth most popular site as well as

ware for on-line commerce. Earlier this year At Home, a high-speed internet service provider, agreed to buy Excite, which runs the sixth most popular site.

Yahoo! is paying almost twice Geocities' pre-deal market capitalisation of \$2.3bn but said that the deal would have no impact on Yahoo!'s earnings in 1999 and would add to them in 2000. In terms of cost per visitor, the deal is cheaper than At Home's offer of \$6.7bn for Excite's audience of around 20m, which includes visitors to excite.com and other sites owned by the company. However it is substantially more expensive than AOL's \$4.2bn acquisition of Netscape, which now looks

remarkably good value. Indeed, Sajai Krishnan, a principal in the technology group at consultants, Booz Allen & Hamilton, said traffic to web communities such as Geocities was worth less than traffic to other

"Web communities are typically not very attractive for advertisers. People are producing a range of soft- there to chat and look for to purchasing.

community interest. Typically only 1-2 per cent of people there have an intent to buy compared to 4-5 per cent of people on the internet in general."

The value to Yahoo! of web communities is their "stickiness" - people tend stay a long time at these sites and return often. Yahoo!, which began life as an internet directory, guiding people to other parts of the net, is now trying to provide whatever people need on its own pages, to maximing and sponsorship. It now offers a wide range of services including news, search. chat, e-mail and financial

Tom Evans, president and chief executive of Geocities. said the idea of making money from web communities was relatively new and consequently commercialisation was less developed than on other parts of the

information.

However he said this was changing with growing numbers of people coming to the site for information relevant

people were setting up shops on Geocities, he said. Jeff Mallett, Yahooi chief

operating officer, said one of the key synergies would come from Yahoo!'s expertise at helping small businesses set up on the internet services which it would be able to provide to small traders on Geocities. The recent spate of deals

in the sector has been driven by the belief that only a handful of leading sites will be able to attract large audiences and thus command big advertising revenues. The leading companies AOL, Yahoo!, Microsoft, AT

Home/Excite. Infoseek and

Lycos - are all aiming to offer the widest possible range of services both to customers and to retailers. The latest deal will increase speculation about the future of Lycos, the only leading site which is both

Geocities shares jumped 50 per cent to \$111% yesterday morning while Yahoo! shares rose almost 4 per cent to \$348 ...

independent and small



Oil groups fear more cuts to come

Big Oil emerged battered from its worst quarter in five She expects oil prices to years, but the bloodletting may not be over yet.

Fourth-quarter earnings at the large US oil companies fell by about 45 per cent, making the energy sector the worst performing industry group, according to First Call, the research firm.

While analysts are cauprices may improve this year, they acknowledge that if they continue to hover at about \$12 per barrel over the next few months, the costcutting will continue.

Everyone is taking a con-

Gustafson, analyst with BT Alex Brown in Baltimore.

average \$14.50 in 1999. It was the biggest and most diversified of the large US oil companies that fared best in the last quarter.

Exxon's size and breadth, both across its business lines and around the globe, made it the industry's top performer and protected it from tiously optimistic that oil last year's 40 per cent fall in world oil prices.

Analysts say the US company - poised to become the world's largest international oil group with its acquisition of Mobil - is well managed. By constantly cutting costs servative look at 1999 and eliminating poor-

DaimlerChrysler AG

Stuttgart

Second Offer to Exchange the Shares of

Daimler-Benz Aktiengesellschaft

Stuttgart

- Stock Index Number 550 000 -

DaimlerChrysler AG

Stuttgart

Marger
DaimlerChrysler AG, Stuttgart ("DaimlerChrysler"), and Daimler-Benz AG, Stuttgart ("DaimlerChrysler"), have entered into a merger agreement on 4th August, 1998. Under said agreement Daimler-Benz transfers its assets as a whole to DaimlerChrysler by way of dissolution without winding-up (3.2 No. of the German Transformation Act) against the granting of shares of DaimlerChrysler (merger with and into another company). The eutraordinary general meetings of Daimler-Benz and DaimlerChrysler of 18th September, 1988 and 17th September, 1988, respectively, have approved of this agreement. Actions to set aside the resolution were filed by shareholders. Meanwhile these actions have been withdrawn following a settlement in court so that, with the entry of the merger of the two companies in the commercial register of the local court in Stuttgart on 21st December, 1998, Daimler-Benz has cassed to exist; its shareholders are now shareholders of DaimlerChrysler.

Exchange Ratio
Upon expiration of the period specified on 6th November, 1998, the voluntary exchange offer of Daimler-Chryster to the shareholders of Daimler-Benz had been taken up for more than 98% of the Daimler-Benz shares (based on the subscribed capital of Daimler-Benz at that time). When the implementation of the Daimler-Benz capital increase against contribution in-kind was filed with the commercial register of Daimler-Chrysler, more than 98% of the Daimler-Benz shares (based on the subscribed capital of Daimler-Benz at that time) were also subject of such registration. Therefore, pursuant to the merger agreement between the two companies the former shareholders of Daimler-Benz, against submission of

1 (one) no par value share to bearer of Daimler-Benz with a pro-rate share in the subscribed capital of Daimler-Benz of DMS each, together with dividend coupons Nos. 68 and so forth and talon, - Stock Index Number 550 000 -

1.005 no par value shares to bearer of DaimlerChrysier with a pro-rata share in the subscribed capital of DaimlerChrysler of DM5 each and with dividend entitlement as from the beginning of the first fiscal year of DaimlerChrysler ending on 31st December, 1998

- Stock Index Number 710 000 -

The valuations performed by C&L Dautsche Revision Aldiengesellschaft, Frankfurt, and Schitag Ernst & Young Dautsche Aligemeine Treuhand Altiengesellschaft, Wirtschaftsprüfungsgesellschaft, Stuttgart, in accordance with the capitalized-value-method pursuant to HFA 2/1983 "Principles for Corporate Valuations" customary in Germany have come to the conclusion that the exchange ratios determined are appropriate. The auditor of the merger appointed by judicial order, 8DO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, has also verified the exchange ratios and confirmed them to be appropriate.

If, upon the application of a shareholder of Daimler-Benz an arbitration proceeding is filed with regard to the merger, and the court orders compensation by way of an additional cash payment, DaimlerChrysler will be obliged to make a corresponding additional payment to all former shareholders of Daimler-Benz who still were shareholders of Daimler-Benz when the merger became affective, even if they have not filed a relevant application.

Implementation of the Exchange
Under 5 71 of the German Transformation Act, Deutsche Bank AG, Frankfurt am Main, was appointed as trustee for the former shareholders of Daimler-Benz with regard to the shares of Daimler-Chrysler to be issued.

We hereby submit a Second offer to the former shareholders of Daimler-Benz to present their sharea together with dividend coupons Nos. 68 and so forth and talon,

at a domestic branch office of the financial institutions flated below to exchange them for shares of DaimlerChrysler:

To the extent that former shareholders of Daimler-Benz have deposited their shares with a financial institution, the exchange will be effected without a specific client instruction to that effect. The exchange agents listed above will, as far as possible, act as intermediaries for the compensation for fractional shares of DaimlerChryster, if any. Since, principally, no shareholders' rights may be claimed for fractional rights, the depositary banks will dispose of any fractional rights.

DaimlerChrysler will not bear any fees or expenses incurred by the former shareholders of Daimler-Benz in connection with the exchange.

Cancellation

Share cartificates not submitted for exchange within the period of time specified will be cancelled by
DaimlerChrysler. The integral shares of DaimlerChrysler attributable to such certificates will be
handed over by the trustee to the beneficiaries or deposited for their account. To the extent that
fractional shares are attributable to such shares, the trustee will dispose of the shares of
DaimlerChrysler to be granted therefore at the officiality quoted price for the beneficiaries' account
through mediation of a stockbroker. The proceeds will be paid out pro-rate or deposited in the same
manner as the integral shares.

Trading Since the merger has become effective, the share cartificates of Caimler-Benz merely represent the claim for an exchange for DaimlerChrysler shares. The official quotation of the Daimler-Benz shares will, therefore, be discontinued.

The shares of DeimlarChrysler issued pursuant to the exchange have been admitted to treding with official quotation on all German stock exchanges.

This advertisement is being published on behalf of DaimlerChrysler by Deutsche Bank AG London. Deutsche Bank AG London is acting for DaimlerChrysler and no-one alse in connection with the exchange offer and will not be responsible to anyone other than DaimlerChrysler for providing the protections afforded to customers of Deutsche Bank AG London or for providing advice in relation to the exchange offer.

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by 31st March, 1999 at the latest

Deutsche Bank AG

Cancellation

Stuttgart, January 1999

The Board of Management

avoided the slew of charges that marred its competitors' results.

In addition, strength in international refining and marketing operations, particularly in Europe, offset price-driven weakness in oil and gas exploration and production at Exxon, Chevron and Mobil.

Companies such as Atlantic Richfield, Amerada Hess and Texaco, which lack such breadth, specifically in international refining and marketing, were the most vulnerable to lower prices and saw steeper declines in their fourth-quarter earnings.

Moreover, some analysts expect no imminent relief. "I am looking for more of the because they got so badly performing properties, it same for at least two to is a passing shower, and

three quarters," said Fadel Gheit, senior oil analyst at Fahnestock & Co in New York. He sees little hope for a short-term revival in oil prices, and weak demand in chemicals is unlikely to pick up before the end of the

Continued improvement in refining and marketing margins are also unlikely to continue, with the arrival of warmer weather and the summer driving season still months off.

The stocks of the large oil companies are trading at 25 times earnings, or at a 50 per cent premium to their normal levels based on p/e ratios, said Mr Gheit. "Investors are hoping that that this market, if you look 13

earnings will rebound." Bruce Lanni, analyst at CIBC Oppenheimer in New York, argues that the current period is an abnormal part of the cycle, where weak oil prices expand the price to earnings multiple. He estimates that the large, integrated oil companies are trading on expected

1999 oil prices of \$14-\$15 against CIBC's forecast of \$17 per barrel Mr Lanni thinks a gradual improvement in oil prices could create a buying opportunity.

"Under the assumption that oil prices improve. which we are fully expecting, then these stocks are

BCE continues expansion drive

By Scott Merrison in Toronto

The competitive balance in Canada's C\$16bn (US\$10.5bn) telecommunications industry has tilted further in favour of BCE after the country's market leader announced this week a joint venture to challenge a western Canadian rival in its own backvard.

BCE closer to becoming the said Dval Ghose, a telecoms country's first full-service analyst at HSBC Securities. national telecoms company: The agreement with Manitoba Telecom Services will give BCE subsidiary Bell Canada a 20 per cent stake in MTS for C\$336m and requires the two companies to create a joint venture to alliance, which linked Cansprovide telecom services to da's former regional monopbusiness in Calgary, Edmonton and Vancouver. The new company, one-third owned by Bell, with the remaining two-thirds held by MTS, will

over five years. With the MTS agreement BCE now has two-thirds of its expansion in place. It has formed Nexxia, a national data network, and now it will also have local assets in looking for Canadian partwestern Canada. BCE, which this week reported 1998 operating profits up 23 per cent was under increasing presto C\$1.6bn. already has sure to secure an acquisition equity links with four Atlan- or alliance to establish a

cost the two owners C\$300m

More importantly, it has taken a potential partner serving eastern Canada via away from BCT.Telus, cre-the US network of GTE, Columbia's BC Telecom and stake in the western carrier. a clear strategy."

Alberta's Telus. The western company was believed to have been in talks with MTS and Saskatchewan's stateowned phone company in a bid to expand eastward. BCT.Telus, however, has not yet concluded any deals that would enable it to move into BCE's home markets in Ontario and Quebec.

'It's very much a set-back The announcement moves for the western companies," The reshaping of Canadian telecoms was prompted by regulatory changes to introduce long-distance and local service competition. Competitive opportunities led to the dissolution of the Stentor

> olies. BCE, however, must still acquire a national wireless presence to provide the full spectrum of services throughout Canada. Clear-Net, the wireless service provider, is seen as an acquisition target. A national full-service presence would as a big Latin American make BCE more attractive to foreign telecoms groups

Observers said BCT. Telus presence in eastern Canada. However, it has the option of the US network of GTE.

ners.

may pull offer for Enersis

Endesa

\$1.45bn public offer launched by Endesa, the Spanish power group, for control of Enersis, Chile's dominant electricity distributor, could be withdrawn if Enersis shareholders press ahead with plans to sell the distributor's 25 per cent stake in Endesa Chile, the country's largest electricity generator.

Endesa could also rethink its future association with Enersis, in which it has built up a 32 per cent stake - the maximum level permitted under the company's present statutes - over the past two years. Enersis shareholders are due to vote on the dis-posal of Endesa Chile, which has no legal relationship with the Spanish group, at an extraordinary general

leeting on February 4 "We believe the sale [of Endesa Chile] is a strategic error," Rafael Miranda, the Spanish group's chief executive, told the FT. "There are great opportunities for generation in Latin America and it is wrong to concentrate on a distribution business which is vulnerable to regulatory

decisions."

Endesa has counter-attacked by seeking a second shareholders meeting, scheduled for the end of next month, at which it will press for an end to the statutory ceiling on equity ownership. The public offer seeks to raise the Spanish group's equity stake to 64 per cent though the acquisition of: Enersis ADRs, traded in New York; of shares in the group floated on Santiago's Bolsa; and also of stock owned by Chile's pension fund admin istrators, or AFPs, which, like Endesa, also own 32 per

cent of Enersis. Mr Miranda said Endesa wanted to build up Enersis power group. But he warned that in a "worst case scenario" involving the failure to control Enersis and the sale of Endesa Chile the Spanish group would have "to reconsider" its Chilean investments.

"Our situation in Enersis was no longer sustainable We launched our bid because a company has to ated in the merger of British which holds a 27 per cent have a clear ownership and

Share splits lift high-tech stocks further

In the red hot market for

technology stocks, retail investors are looking for almost any excuse to buy. That is one interpretation behind the jump this week in the shares of a number of established technology companies and newer internet names, following announcements that they plan to split

their high-priced shares. Such stock splits, which typically give investors two hares for each one they currently hold, should theoretically have no impact on share prices, equity analysts say, since they make no difference to the underlying value of the company con-

cerned. However, this week's batch of share splits has been attended by a leap in buying, particularly from the many individual investors whose share trading has been one of the biggest factors behind the technology rally of the past two

"The dollar price of a stock seems to influence retail buying of the stock." said Doug Cliggott, an equity analyst at J.P. Morgan.

Yesterday it was the turn of Intel, which announced the twelfth stock split since it was founded and its first in 18 months. The company's shares rose more than 4 per cent on the news before falling back by early afternoon to trade at \$136%, a rise of

Two other leading technology companies announced share splits earlier in the week, prompting further ral-

By Richard Waters in New York lies in their own share prices. Microsoft rose 3.5 per cent on Monday after it announced a two-for-one split, while IBM climbed 3.3 per cent on Monday and Tuesday.

One potential explanation for the increase in buying by small investors is that share splits could lower their dealing costs.

A lower share price makes it easier for small investors to buy shares in so-called "round lots" of multiples of 100, something that stockbrokers generally charge a lower commission for though this was unlikely to explain how far some shares had jumped, said Mr Cliggott.

Other explanations fre quently advanced for the impact of share splits include the claim that they convey important information about a company's confidence in the future. According to this argument, companies cut the nominal price of their stock when they believe it will keep ris-

ing to new heights. America Online, the online services company, and eBay. which operates the leading internet auction site, also both announced share splits this week, reflecting the sharp increase in their stock prices since early December. The further gains in their shares, though, were likely to owe more to the fact that both companies also reported fourth quarter earnings that beat Wall Street expectations, eBay jumped 37 per cent on Wednesday. while AoL rose \$12 yesterday

NEWS DIGEST

aerospace

Revenues decrease 9% at Lockheed Martin

Lockheed Martin's fourth-quarter earnings matched reduced Walf Street estimates of 81 cents a share on revenues down 9 per cent at \$7.2bn. The 15 per cent dip in net income to \$308m from \$363m, or 89 cents a share, was attributed to weaker business and delays in space and missiles, and reduced air transporter deliveries.

Exceptional items, including the costs of shutting down a majority-owned information technology company, reduced earnings to 33 cents a share, although the company said cash flow was well above target for the year. allowing about \$1bn of debt to be retired and borrowings to fall to \$11bn. The company said it expected a cost reduction project to start showing results in the current year and generate annual savings of up to \$3on when it was fully implemented in 2001. Christopher Parkes, Los Angeles

FOOD INDUSTRY

Lawsuits hit RJR Nabisco

RJR Nabisco, the food and tobacco group, yesterday reported an almost threefold increase in fourth-quarter losses from \$197m to \$585m, after \$780m in charges for restructuring and tobacco litigation settlements. Losses per share were \$1.83, against 64 cents last time. Excluding charges in both years, operating profits were \$195m, or 58 cents, down from \$222m, or 64 cents. Group sales fell 2 per cent to \$4.47bn despite a 5 per cent rise in worldwide tobacco sales. Reuters, New York

BANKING

Boavista reimburses investors

Brazil's Banco Boavista Interatiantico has said it will return R\$70m (US\$37m) to 3,800 investors who lost money in high-risk investment funds after a substantial fall in value with the collapse of the Real two weeks ago. The currency has lost 38 per cent of its value since the

government scrapped its controlled exchange rate on Jan-

Bank analysts have praised Boavista's fund managers for coming clean on the losses. Unlike most local and international investors, Boavista's fund managers bought Reals on the futures market because they believed the government would be able to avert a damaging devaluation. However, Sonia Resende of Boavista said its proprietary trading desk had expected an imminent devaluation and bought dollars. She said the bank has decided to "share these profits" with Investors in its funds. John Barham, São Paulo

Euro Disney aims to expand

By Elizabeth Robinson

tic Canada carriers.

Euro Disney, the French theme park operator, hopes to reach agreement with the French government within the next few weeks for a second park to be built alongside Disnevland Paris.

Gilles Pelisson, chief executive, said he hoped the new park would open in 2002, 10 years after the company opening in spring 2002. opened the gates to its first park outside Paris.

Mr Pelisson said the second park would offer an extensive experience" of the world of television, animation and cinema, with rides. infrastructure. shows and exhibitions.

"We expect it to be more park was contained in the cent owned by Walt Disney educational. This makes it a agreement that Euro Disney of the US, rose 34 per cent to better fit for nationalities in signed with the French gov- FFr290m.

have fun. "The park will be about debt.

European culture," he said. If Euro Disney reaches at the site in Marne-la-Vallée ahead with the project. should begin by the end of this year, with the park

invest FFr4.5bn (€686m, \$789m) in the park's facilities lic finance to create the operation.

The proposal for a second

Europe such as Germans ernment in 1997 but was who like to learn as well as shelved as the company tried to deal with mounting

Hollywood, but also about Mr Pelisson said that details of financing for the second park would be agreement with the French announced when he was government, groundbreaking sure the company was going

Disneyland Paris is the largest short-break destination in Europe, and France's The company expects to top tourist attraction with 12.5m visitors a year.

Mr Pelisson aims to attract and that figure could be 4.5m-5m visitors to the new matched by private and pubsite in its first year of Last year net profits at

Euro Disney, which is 39 per

U.S. \$300,000,000 Canadian Imperial Bank of Commerce (A Canadian Chartered Bank)

Floating Rate Debenture Notes due 2084 Notice is hereby given that for the six months interest period from

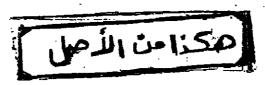
NOTICE IS INCIDENT SHOWN I WAS ALL THOUSANDS PRINCIPES PERSON FROM January 29, 1999 to July 30, 1999 the Debenture Notes will carry an January 201, 1909 to vary 50, 1909 and Decoming 1909 to the being on the interest rate of 5.25% per annum. The interest payable on the relevant interest payment date, July 30, 1999 against Coupon No. 26 will be U.S. \$265.42 and U.S. \$6,635.50 respectively for Debenture Notes in denominations of U.S. \$10,000 and U.S. \$250,000. By: The Chase Manhattan Benk

London, Agent Bank January 29, 1999



FORMULA SERIES 16 JPY 1,000,000,000 FRN DUE 2000 (secured by Sharp Finance Netherlands BV JPY 1 Bio due 2000) ... INTEREST RATE: 1.21766% INTEREST PERIOD: from 29 01,1999

> INTEREST PAYABLE PER JPY 1,000,000,000. NOTE: JPY 3,077.974 . BY FUII BANK (LUXEMBOURG) S.A.



Share splits

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MAKEPACI

Revenues decrease 9% at Lockheed Martin

company West Street . PROMISE STREET, STATE OF

awaults hit RJR Nabisco

Boarista reimburses investor

USINE Canadian Improve grank

COMPANIES & FINANCE: UK

Ifft high-tech Stocks further Support services group ahead of Market expectations with 109m US side helps Misys advance 83% By Christopher Price market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts also pleased by the performance of Misys's US market forecasts, with analysts and analysts also pleased by the performance of Misys's US market forecasts, with analysts and analys

vices group reported sharply higher profits, helped by work generated by the millennium computer bomb and

Pre-tax profits for for the half year to November 30 increased 83 per cent to £59m (\$97m) on turnover 62 per cent higher at £288m. The results were ahead of

US white

knight to

Wace's

rescue

By David Blackwell

rival Photobition.

A white knight from Illinois

yesterday rode to the rescue

of Wace, the digital imaging

group under siege from UK

Shares in Wace - just

17%p in October after it ran

into problems in the US and

breached loan covenants -

The US bidder is Schawk,

a family-run digital imaging

ousiness listed on the New

Schawk, which is advised

by Lehman Brothers, is pre-

pared to pay £94.6m in a mix-

ture of cash and subordi-

nated loan notes. That

compares with Photobition's

offer of 21.93 of its own

shares for every 100 Wace

shares - worth £81m after

Photobition's shares closed

Wace's directors are rec-

ommending Schawk's offer.

which they have accepted

for their own 0.9 per cent

holding. Derek Ashley, chief

executive, described the pro-

posed deal as a strategically

However, the Wace board

added that it had been

approached by several par-

ties since Photobition

launched its bid in Decem-

ber, and there might be fur-

Degussa reports

ther proposals.

up 9p at 344p yesterday.

York Stock Exchange, where

closed up 17%p at 75%p.

tis capitalised at \$265m.

among some analysts.

shares to 586p gave it a market capitalisation of £3.3bn, this area." and restored its place as Britain's highest valued IT services company.

By Susanna Voyte

ummer.

Shares in Premier Farnell

jumped by almost 18 per

cent yesterday as investors

welcomed the blueprint for

recovery set out by John

Hirst, who took over as chief

executive of the electronic

components distributor last

The group - which last

autumn cut its dividend by

30 per cent - said that it was

planning a £45m capital

investment over the next

three years along with an

extra £15m every year to be

spent on marketing initia-

Shares in the company

rose 29p to 1914p. Premier

Farnell has consistently

ammeric _____ 8 maths to Nov 30 ☆ 11.5 sons Crisps _____ Yr to Nov 30 38 ant _____ 6 miles to Nov 30 289.4 solidated Ceel ___ 6 miles to Sept 36 3.59 gistions _____ 6 miles to Sept 30 2.87

_ 6 miths to Sept 30 12.9 _ 6 miths to Nov 30 47

Premier Farnell

ness, Medic. This was diminish. The banking secacquired more than a year tor has hugely underestiago but doubts about its mated the cost of year 2000potential have persisted and the euro and so has been putting off investment in The 86%p rise in Misys's new systems, The next wave of IT expenditure will be in

In addition, the increasing Kevin Lomax, chairman, and other financial institu-

failed to meet City expecta-

tions since it was formed by

Leeds-based Farnell Elec-

tronics with Premier of the

US almost three years ago.

This whole thing is about

getting the company back to

profitable growth," said Mr

Analysts welcomed the

strategic announcement,

which was underpinned by

news that conditions in its

difficult markets had not

deteriorated further. They

full-year pre-tax profits of

(13.7) 0.9 (34.5) 3.01 (260.2) 29.5 (2.68) 0.004 (5.41) 1.371.4 (3.25) 0.4231 (0.705) 0.315 (22.5) 0.4231

(3.41) 1.3/L2 (3.25) 0.423L (0.705) 0.315 (22.5) 0.556\(\frac{1}{2}\) (21.1) 2.07 (2.14) 0.285L\(\frac{1}{2}\) (177.6) 58.9

£103m-£104m (£139m).

since the start of 1996.

lysts also pleased by the per- business would decline once sourcing their IT require- other area of business, soft formance of Misys's US the effect of the year 2000 ments. As the leading com- ware and services for the healthcare software busi- and euro issues began to pany in the sector, Mr insurance industry, would Lomax said Misys was ide-ally placed to benefit. not be sold, although its UK focus meant its development

The company, which specialises in the banking and healthcare markets, underlined its focus on its core areas by agreeing to sell its Information Systems division for £28m. Its subsid- £13m. Strong cash flow cost and complexity of new iaries are being bought by helped reduce net debt from IT systems meant that banks managements with venture £203m to £111m.

Recovery plan at Trinity to meet Mirror again

By John Gapper

the controversial merger of Trinity, the regional newspaper company, is to meet Mirror Group again, following the departure of David Before yesterday's rise, the shares had underperformed Montgomery, Mirror chief executive, to investigate the market by 82 per cent restarting merger talks.

The two sides are expected to meet today to establish whether Mirror under its new chief executive, John Allwood, is still interested in a merger or is now seeking takeover bids.

It will be the first contact between the two since Trinity called off talks earlier this month. The breakdown was caused in part by disagreement over whether Mr Montgomery would have an

4.05♦

executive role in a merged

potential within the group

Profits from banking rose

64 per cent to £46m on sales

of £158m. Medic's first con-

tribution to profits was

Mr Montgomery resigned on Monday after it became clear that the Mirror board would otherwise pass a vote of no-confidence in him. Leading shareholders had pressed for him to resign rather than block a merger or takeover.

Trinity is thought willing to consider a bid involving both shares and cash if Mirror wants a takeover. Sir Victor Blank, Mirror chairman, has spoken of an "auction" for the group involving any interested parties.

Mirror has already rejected a cash bid of £913m from Regional Independent

					fell from about £60bn than £54bn last year.
	Date of payment	Corresponding Corresponding	Total for	Total lest	P&D also faced di ownership issues las
	•	n3	nΠ	nii	following the creati
	Apr 16	1.2	2	1.575	UBS. After some tens
i	Apr 18	1.45	-	5.3	was finally decided that
	-	-	-	-	would be separately
	-	-	-	雕	
	•	0.4	-	1.2	aged from UBS Brinso
6	Арг 6	0.0357	-	0.1047	Chicago-based headqu
	Feb 26	0.2	-	0.8	of the UBS division.
	Feb 26	2.5	-	8.6	UBS said this week
	-	3	nii	6	was still on track to h
	Apr 6	1.05	-	2.82	"premier global institu
	-	0.75	-	1.5	
	May 3	2.8	-	8.3	asset management firm
	-				revenue and profit g
r.	Date of	Corresponding	Total for	Total last	predictions had been o
4 1	payment			 	the short-term due to
	-	-	-	-	the short-term the h

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *Comparatives for 12 mentiles to March 31. *After exceptional credit. †On increased capital. *QAfter exceptional credit. *QAfter exceptional credit. †On increased capital. *QAfter exceptional credit. *QAfter exc cent of UBS profits.

P&D arm leads UBS to revise targets

By William Hall in Zurich and Jane Martinson in London

has cut the medium-term profit target for its institu-tional fund management arm by more than a third, largely because of the poor performance of Phillips & Drew, its UK fund manager.

The group has cut its forecasts for UBS Brinson which includes P&D, from between SFr600m-SFr700m in 2002 to SFy400m (\$290m). Revised estimates emerged following presentations to investors in Zurich this week. The more optimistic estimates were made when

UBS announced its merger with Swiss Bank Corporation in December 1997. Figures released yesterday reveal that P&D, the UK's third-largest pension fund manager, bas seriously underperformed its peers over the past five years. This

is largely because of its bear-ish stance and preference for some of the UK market's worst performing companies Its flagship £1.1bn pooled pension fund ranked bottom of 67 funds in the final quarter of 1998. Such underperformance has prompted the departure of several of its largest clients. Its assets fell from about £60bn to less

P&D also faced difficult ownership issues last year following the creation of UBS. After some tension, it was finally decided that P&D would be separately managed from UBS Brinson, the Chicago-based beadquarters of the TIRS division. IRS eaid this week that it

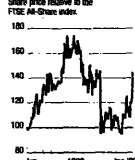
was still on track to build a "premier global institutional asset management firm" but revenue and profit growth predictions had been cut "in the short-term due to challenges in the UK". The downgrading means

UBS Brinson will now account for less than 5 per

COMMENT

Misys

If any set of results deserved to calm nerves. Misys delivered them. This software company has been dogged by suspicions that its acquisition-fuelled growth could come unstuck. Turmoil in the banking sector last year also raised fears that Misvs would suffer since it supplies risk management and trading systems. These concerns have been out to rest. As the strong cashflow generation shows, Misys is not hiding behind funny accounting for its strong growth. Basic things like chasing late payers are all part of the Misys



formula. Furthermore, 39 per cent of Misys' revenues are recurring, which offers comfort in the volatile world of software companies. Unfortunately, with the shares on a forward price/earnings ratio of 35, much of this is already in

LucasVarity

After a week of shadow boxing, it seems Lucas Varity's two suitors are to fight for its hand. This is good news for shareholders. TRW's first shot is an improvement both in form and amount on Federal-Mogul's conditional 2800 a share cash and paper bid. But at 288p in cash, it is not a knock-out punch.

Unfortunately, it is pretty close, Although Federal-Mogui has highly rated paper, this is no longer an advantage now TRW is offering cash. FederalMogul is mooting a mix-andmatch offer allowing LVA's US shareholders - more than half the total - to take shares in the combined group while getting UK investors out for cash. But even this may not get it much beyond 290p a share without suffering earnings

The problem is that Federal-Mogul cannot find the same level of synergies from the deal as TRW, which yesterday identified \$200m (£121m) of annual pre-tax cost savings. This is because Federal-Mogul's autocomponents businesses are simply not as complementary as its rival's. In addition TRW believes its estimate of synergies could be conservative, with the real figure nearer \$300m. This could allow it to raise its offer to 300p-310p without suffering dilution. But it will only do so if its hand is forced - something Victor Rice, LVA's chief executive, seems to have made less likely by rebuffing Federal-Mogul's interest so far. The best hope for shareholders is that Federal-Mogul does not now throw in the towel.

EasyJet plans flotation

By Michael Skapinker

airline, plans to float on the record of profitability, was London Stock Exchange and capable of growth and could Nasdaq early next year. Stelios Hajiloannou, chairman, line's operating company said his family would retain made pre-tax profits of £2.3m majority control after the (\$3.8m) last year, compared flotation.

criteria his financial advis- founded three years ago.

These were that the com-EasyJet, the low-fares pany could demonstrate a weather a recession. The airwith a loss of £3.3m in By early 2000, he expected 1996-97. This was EasyJet's EasyJet to have satisfied the first profit since it was

ers had set for flotation.

A new dimension

Fiscal year 1997/98 added a new dimension for Degussa: the company reported record results for the fourth time in succession and the merger with Hüls AG, which was approved by the shareholders of Degussa AG on December 18, 1998, opens up extremely good prospects for the future.

Record earnings for the fourth year in succession

Group sales totalled DM 15.9 bn, an increase of 10% after stripping out precious metals trading, while pretax earnings were up 42% at DM 741 million. Net income also rose by 42% to another new record of DM 558 mil-lion, showing that the stringent cost-management and structural improvements in recent years are bearing fruit. DVFA/SG earnings per share rose to DM 5.30 and there was a further significant rise in cash flow to DM 1.382 million.

Dividend increased to DM 1.80

The dividend is to be increased again, to DM 1.80 per DM 5 share. The dividend will be paid out of foreign income (tax

class EK at) so there will be no tax credit for German shareholders.

Good rise in segmental result

Overall, the segmental result rose 23% to DM 777 million. The Chemical Products Segment did particularly well, reporting a 41% rise in earnings. Acquisitions, joint ventures and expansion of capacity reinforced our leading global marker position in this segment. The Precious Metals and

Banking Segment also made good headway. Only the Health and Nutrition Segment did not quite match the previous year's good result.

Degussa-Hüls - an attractive, value-oriented company at leading edge

The merger with Huls AG to form Degussa-Hüls AG will add a new dimension to our operations. The new.company will focus on specialty chemicals, a field

Assets	DM million	Liabilities	DM million	
Intangible assets	360	Issued capital	460	
Tangible assets	3,273	e well to the second		
Investments	1,463	Capital reserve and Group profit	2,180	
Non-current assets	5,096	Shareholders' equity	2,640	
Inventories	1,694	Accrued liabilities	2,739	
Liquid assets and accounts receivable	3,300	Long-term liabilities	1,994	
Current assets	4,994	Short-term liabilities	2,717	
Total assets	10,090	Total equity and liabilities	10,090	

nion are acheduled for publication in the Bundesanzeiger (Federal Gazette) in the 4th calendar week of 199

in which it will rank among the market leaders. The merger will create a successful international company with value-oriented management principles, making it an attractive investment. Degussa-Hüls AG be included in the DAX 30 and shares in the new company are expected to be traded on the Frankfurt and Düsseldorf stock exchanges as from February 8, 1999. They will be entitled to the dividend from October 1, 1998.

An optimistic outlook

The global economic environment has become far more difficult, not least because of the financial crises in Asia, Russia and Brazil, and there are signs that the North American economy is slowing. Following the merger with Hüls AG, we will be well prepared to face tougher competition and expect to report good earnings in the current fiscal year.

Frankfurt am Main, January 1999 Degussa Aktiengesellschaft Executive Board -

Key data from the income statement	
Group	DM million
Sales	15,905
Segmental result	777
by segment	
- Chemical Products	445
– Health and Nutrition	228
- Precious Metals and Banking	3 104
Profit before income tax	741
Net income	558
Our annual report can be obtained	from the
Public Relations Department, Deg 60287 Frankfurt, Germany.	ussa AG,



Black belt with a voracious appetite

The chief executive of the Burger King chain is chomping his way to the top, finds John Willman

lt's Free Fryday for Burger King in the UK, and the world's second-largest hamburger chain expects more than 3m customers to sample a free portion of King Fries, its revolutionary new coated

In London for the week to the latest weapon in the bur-Dennis Malamatinas, chief since March 1997. He "I'm one of those hyperac-launched King Fries in the tive guys," he boasts. "I put US last year with the first Free Fryday, handing out 15m portions in what the Miami-based company called the biggest single sampling exercise in history.

But freebies can be a month with its two-for-one Big Mac 25th anniversary offer. The world's largest fast-food chain was forced to apologise to angry customers during the first day of the

BRITANNIA

BUILDING SOCIETY

Issue of up to £50,000,000

Floating Rate Notes

Due 2005

Diele 2005
In accordance with the serms and
conditions of the Notes, notice is
heroty given that for the farm month
interest Parlod front (and including)
28th January 1999 in (but excluding)
28th April 1999 the Notes will carry a
rate of interest of 6.47683 per cent per
senson. The relevant interest Psyntax
Data will be 28th April 1999. The
coupon monent per f.,1000,000.00.
Note will be £15.975.20 psyable against
successor of Coupon No.37.

Royal Bank of Canada

Republic New York

Putable Capital Notes For the six month period Jansun 29, 1999 to July 30, 1999 the Notes will carry an inserest rate of 5.25% per annum with an

per U.S.\$10,000 Note payable on July 30, 1999.

Global Agency and Trust Ser Citiosnik, N.A. Landon

amount of U.S. \$265.42

CITIBANCO

Corporation

U.S.\$150,000,000

Europe Limited

Mr Malamatinas is leaving nothing to chance: lorries with top-up supplies of King Fries are parked close to the larger outlets and extra cold store space has been booked countrywide. "J guarantee we won't run out," he says.

Life would probably not be oversee the British debut of foolish enough to fail. The martial arts enthusiast is a ger wars with McDonald's is driven man, who expects his managers to hit targets and executive of Burger King never to become complacent. "I'm one of those hyperac-

a lot of pressure on myself always. It's important for all our people to feel that way."

His relentless pressure has certainly produced results for Diageo, the UK food and tricky business, as drink group which owns the McDonald's discovered this hamburger chain. Still only hamburger chain. Still only 43, he is now seen as one of three insiders on the shortlist to succeed John McGrath when he retires as chief executive next year.

Burger King has been gaining on McDonald's in the vital

U.S. \$100,000,000

Allied Irish Banks Plc

of hierarchite Congesterion, 1939 a 1989. Subjourdinated Primary Capital Perpetual Floating Rate Notes in accordance with the provisions of the Notes, notes to hearth place of the Notes, notes the notes hearth Period iron. January 29, 1999 to April 30, 1999 the Notes will carry an interest Rate of 5.5% per acrum. The Interest payable on the relevant interest payable on the 184 April 50, 1999 against Coupon No. 55 will be U.S. \$139,05 and U.S. \$3,475.89 respectively for Notes in denom-respectively.

respectively for Notes in denom-mations of U.S. \$10,000 and U.S. \$250,000. The sum of U.S. \$139,03

will be payable par U.S. \$10,000 principal amount of Registered Notes

By: The Classe Manhatten Bank Lundon, Agend Mank January 29, 1999 O CHASE

REPUBLIC OF AUSTRIA

U.S. \$390,000,000

accordance with the provisi

of the Nones, nonce is hearby goven that the Rate of Insteres for the sta-mouth period enting 28 July 1999 has been fixed at 5.00% per amount. The insterest occusing for such six month period will be U.S. \$25,14 per U.S. \$1,000 Bearer Nose, and U.S. \$251.39

rer Note en 24 July 1999 ag

will be \$11bn (£6.8bn) this year, profit growth is expected to be in double digits and

the chain recently opened its 10,000th restaurant, having added 1,700 in the last two vears alone. McDonald's still has almost double Burger King's market share in North America, and a much bigger network outside the US. But

it has suffered setbacks in recent years and is widely seen to have lost its way in comparison with the Mr Malamatinas is not about to succumb to complacency, however. "When people ask me if I'm concerned about the competi-

tion, I say I'm always con-

cerned about everything, I'm

paranoid about everything. I

always assume McDonald's will get it right. "The solution is to make sure people stay hungry, the killer instinct always prevails and you're after market share. If you're going to be successful, you've got to have that attitude.

"People go on about the strategy, but in my book

'I've never seen a

ground, reaching 21 per cent right," he adds. "I spend of the market last year. Sales most of my time on the culture of the company and on leadership issues."

He sees constant innovation as an essential part of that culture: last year he grabbed control of the R&D department from the marketing director. King Fries is only one of three products launched last year. The company also introduced the Big King, a product to rival the Big Mac but with 75 per cent more beef. And, to attract more breakfast customers, it launched Cini-minis - small hot cinnamon rolls sold with a pot of icing for dipping.
"There's plenty more in
the pipeline," says Mr

The other great driver of growth is expansion outside the US, where the company has only 2,300 restaurants, compared with more than 10.000 in the McDonald's chain. Latin America has been identified as a priority area for expansion, as is Europe, where Burger King was forced to retrench two years ago - withdrawing from France and focusing on the UK, Germany and Spain.

Mr Malamatinas says retrenchment was necessary to concentrate on a limited number of markets and to

get the marketing right. "We focused on three markets instead of being all over home, but with four different the place. And we invested in advertising. I've never up for his absences by takresponsive to advertising; playing tennis with his son you put your ad on the air on Monday and you can he is a black belt. see sales climbing on Wednesday."

He spends 70 per cent of ing his university education his time travelling, pushing in Chicago. He started his his managers and fran- career with Procter & Gam- ble for the world's leading engines? chisees to improve the ser- ble, working on products vice in the restaurants. "You such as Pampers disposable can't build a global business nappies. Head & Shoulders by sitting in an ivory tower shampoo and Crest toothwriting memos." paste.

That inevitably means see-He moved to PepsiCo in ing less of his family, a cos- 1986, becoming chief execumopolitan unit that has fol- tive of the soft drink group's lowed him around eight. Italian operation at 32. Then

The merger has been criticaders with a brand marketcountries. The son of Greek in 1989 he joined Grand Meticised for bringing together ing mindset, it will grow."-

parents, he was born in Tan-ropolitan, one of the two diverse businesses with little Last year he was put in zania and educated in the companies that merged in overlap in products, from charge of Diageo's overall [1] US. His wife is Dutch and 1997 to form Diageo, as man- the Pillsbury US food comhis two children were born

Greek brandy. "We speak English at "It gave me global responsibility for the brand, integaccents," he says. He makes rating the formerly familyowned business into Grandseen a brand that's more ing frequent holidays, Met. It was also my first chance to live and work in and perfecting his karate Greece.

> Mr Malamatinas has been in marketing since completand he was soon on his way to Connecticut to run the vodka and the second biging to Burger King in 1997, another brand.

shortly before the Diageo

aging director of Metaxa, the pany to Guinness, the brewer. Mr. Malamatinas says there are synergies: Pillsbury developed Ciniminis for Burger King, for

But he believes the need to justify retaining diverse businesses in a single group That chance lasted less can be overdone. Look at than two years, however, Jack Welch's General Electric, he says: "What are the synergies between Smirnoff operation, responsi- light bulbs and airplane

"It's all about people, leadgest-selling spirit brand. In erabip, strategy and culture 1995 he became head of - and it's about brands. GrandMet's Asia-Pacific Moving from Smirnoff to spirits operation before mov- Burger King was just

"If Diageo can create the sort of culture that breeds

sible for developing marketing excellence and sharing best practice.

If he does end up in the top job next year, will he retain Burger King as part of Diageo? Rumours of a flotation repeatedly surface although a McKinsey study two years ago suggested retaining the chain was a better option in terms of shareholder value.

"Burger King is doing well the brand is in good shape and continuing to deliver good growth," says Mr Malamatinas, "No company in its right mind would give up a business that is doing so well.

"Having said that, I'm a realist. I tell my guys you're only as good as your results 💥



brand that's more responsive to advertising - you put your ad on the air on Monday and you can see sales climbing on Wednesday¹

Financial Times Surveys

Bulgaria

Monday March 8

For further information please contact: Elka Koleva in Sofia Tel: +359 2 864 533 or +359 2 981 0900 Fax: -359 2 981 2140

adia@intech.bg Ewa Płaczek-Neves in Londor Tel: +44 171 873 3725 Fax: +44 171 873 3934

Annette Pirkovic in Frankful Tel: +49 69 156 85 163 Fax: +49 69 597 944 93 mail: annette,pirkovic∉FT.co

FINANCIAL TIMES

Wells Fargo & Company LIS\$200,000,000 Floating rate subordinated otes due 2000 In accordance with the provisi

of the notes, notice is hereby given that for the interest given that for the interest period 29 famary 1999 to 26 February 1999 the notes will carry an interest rate of 5.25% annum, interest payable on the relevant interest payment date 26 February 1999 will CURE ED US\$40.83 per US\$10,000 note and US\$204.15 er US\$50,000 note

Slobal Agency and Trust Service Disbank, N.A., London 19 January 1999

CITIBAN(C)

Republic of Croatia Floating Rate Amortising Bonds (the "Bonds") Series B Due 31 July 2006

Notice is hereby given that the Rate of Interest has been fixed at 5.8125% and that the interest payable on the relevant interest Payment Date July 30, 1999 against Coupon No. 6 will be US\$26.01 in respect of US\$885.11 nominal of the Not Global Agency and Trust Services Calberik, N.A. London

CITIBANCO



in Switzerland.

JUDY DEMPSEY FILE FROM JERUSALEM

Holy Land deserves better treatment

Environmentalists are warning that the Israelis, who have long regarded their land as precious, are damaging it through neglect

Over the next few days, many Jewish school children will spend more time outdoors than in the classroom. Despite the cold. they will be planting trees to elebrate Tu B'Shvat, the Jewish festival dedicated to cultivating the soil and

growing plants. The festival is also about caring for the land. But, as the small band of Israeli environmentalists have repeatedly warned, the next generation of children will have neither fertile land nor good health if society does not wake up to how the environment is being

neglected. The statistics make grim reading. More than half of all untreated industrial waste, including poisonous heavy metals and salts. flows directly into the environment, damaging underground aquifers, rivers

and streams. The remainder flows into the sewerage system where it is either directed to purification plants or dumping sites.

A recent Israeli study showed how pollution from diesel engines used in buses, trucks and taxis, is responsible for the deaths of 300 people a year. And that is only in the Tel Aviv area. After taking into account lost work hours and hospital bills, the total health costs of such particle pollution is \$600m (£363.6m) a year.

neighbourhoods in Jerusalem or Tel Aviv. where you might expect recent immigrants from the US, Britain and Europe to be environmentally conscious, there are no recycling bins for bottles, cans, plastics or batteries. The 1.8kg of solid waste produced by Israeli households each day, the equivalent of 3.5m tonnes a year - and growing by

In middle-class

between 4 per cent to 5 per cent a year - is dumped, untreated, into landfills. Nehama Ronen, outgoing

director-general of the environment ministry, has een waging a battle with local authorities to close illegal sites. This month she decided to leave her job to head a new ecology party -Voice of the Environment and run in May's elections.

In the past few years she says she has managed to close 400 such dumps, but, she adds, at least another 150 are still operating illegally. With an annual budget of

Shk160m (£23.5m) – almost half the amount allocated for the running of the prime minister's office - Ms Ronen has had to focus on other issues, such as pressing for more efficient and cleaner public transportation system and educating children to care for the environment.

She may have been fighting a losing battle. The powerful construction and road lobbies, backed by the

government, are determined to build the Trans-Israel Highway. This road, say environmentalists, will mean digging up the landscape, confiscating land. while more cars - Israel's roads are already choked will create more pollution.

Even education in environmental studies is under threat - by the education ministry. It wants to demote such studies in the schools' matriculation. or university entrance exams. Yiftah Kramer, spokesman for the environment ministry, said there was no doubt that in the long term this would result in the younger generation being less aware

of environmental problems. Since taking office in May 1996, Ms Ronen had put aside about Shk2m of her annual budget to make environmental programmes for Channel 6, the children's television channel. "It will be wasted if the schools are forced to ahandon

WE'RE A SMALL COUNTRY - WE DON'T HAVE ROOM FOR AN ENVIRONMENT



programmes," said a ministry official.

What is extraordinary about how the environment is treated in Israel is that it goes against everything successive Israeli governments have stood for.

The Zionist experiment was about reclaiming, cultivating and caring for the land. The Israeli Antiquities Authority is as active as ever initiating archaeological digs to discover and prove that Jews lived on the land more

than 2,000 years ago. But for all the religious, political and cultural attention paid to "Eretz Israel" - the Biblical homeland of the Jews - the paradox is that, in the view of environmentalists. Israelis are destroying the tiny piece of land that they claim is sacred and precious.

Israelis offer many explanations for their neglect of the environment. They say they have more pressing priorities, such as the security issue and the conflict with the

Palestinians. In terms of economic and social development, they say they should not be compared with Europe or the US since their country lags several years behind the developed

Statistics tell another story. Israel's gross domestic product per capita is just as high as some European countries. It is also endowed with an innovative high-tech industry that can compete

with its US counterparts. "There will always be excuses for not tackling the environment," said Ms Ronen.

If her new party even wins one seat, it might be able to generate a debate on how the continuing destruction of the environment might jeopardise the country's uture.

It might also be enough to give new meaning to the Tu B'Shvat festival.



EUROPEAN INVESTMENT BANK

DEM 2,724,464,000 4.5 per cent. EURO-Fungible Notes due 15 February, 2003 ESP 30,000,000,000

4.5 per cent. EURO-Fungible Notes due 15 February, 2003 FRF 3,880,180.000 4.5 per cent. EURO-Fungible Notes due 15 February, 2003

ITL 1,000,000,000,000

5.5 per cent. EURO-Fungible Notes due 15 February, 2018 (the 'Note issues') ham to the notices (the "Notices") related to the Note Issues poblished

Notice is hereby given to the Notehalders to read the following provision of the Notices as follows, in accordance with the terms and conditions of the Note Issues:

2 m amount of EURO 24.61 shall be paid on 15 February, 1999 to the holder in respect of each Note of DEM 1,000; as amount of EURO 66.51 shall be paid on 15 February, 1999 to the holder in respect of each Note of FRF 10,000: respect to small rouge of Far Follows, as amount of EURO 1938 shall be paid on 15 February, 1989 to the holder in respect of each Note of ESP 100,000; as autount of EURO 141.65 shall be paid on 15 February, 1999 to the holder in

respect or each wore in 11 to 3,000,000; All other berms of the Notices shall remain unaffected. Dated 29 January, 1999

ECU 300,908,000 Kingdom of Belgium Ploating Rate Notes due 2000 For the period from January 29, 1999 to April 30, 1990 the Notes will carry an interest rate of 100274 per annum with an interest amount of ECU 774,13 per ECU 190,900 Note.

BANQUE PARIBAS

Roating Rate Amortsing Bonds (the "Bonds") Series A Due 31 July 2010 Notice is hereby given that the Rete of interest has been fixed

Republic of Croatia

react of nuclear reas been toward at 5.8125% and that the interest payable on the relevant interest Payment Date July 30, 1993 against Coupon No. 6 will be US\$29.99 in respect of US\$1,000 nominal of the Notes Giologi Agency and Trust Services Cabberic, N.A. London TUEN 20, 1998

CITIBANCO

JUPITER TYNDALL GLOBAL FUND, SICAV

DIVIDEND NOTICE For Jupiter Tyndail Clobal Pund Book of Bernando (Lexamboura) S.A.

dered Office: Luxembourg, 13, rue Goe R.C. Luxembourg B 34 593

مكذامن الأمل



PRIMARCIAL TIMES TRAINING THE T

Volvo gives Europe feeling of security

EUROPEAN OVERVIEW

EQUITIES

Fresh merger news, strong US and a rising dollar sent most European markets that the dollar's strength sharply higher yesterday against the euro would prop despite lingering concerns up struggling European about instability in emerging markets and gloomy economic prospects at home.

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car division to Ford lifted relatively bullish mood. the automobile sector right from the outset. The share price gains later

Wall Street's 50-point gain in early trading and a batch Early confirmation that of robust economic figures

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the markets on optimism

Volvo was going to sell its from the US sustained the inflation and interest rates The US Labour Depart-

ment said the employment ures," said James Cornish at company earnings this year, cost index had risen a mere BT Alex Brown of the extended to other sections of 0.7 per cent in the fourth 0.7 per cent in the fourth reports that eclipsed a warn-quarter of 1996, against I per cent in the previous quarter. chairman Alan Greenspan Meanwhile, demand for about the fragility of interdurable goods and industrial machinery rose faster than anticipated in December. suggesting despite a boom-

ing economy that higher

FTSE Actuaries Share Indices

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were not on the cards.

net shares and the dangers of the plans of President Bill Clinton to invest part of the social security budget in

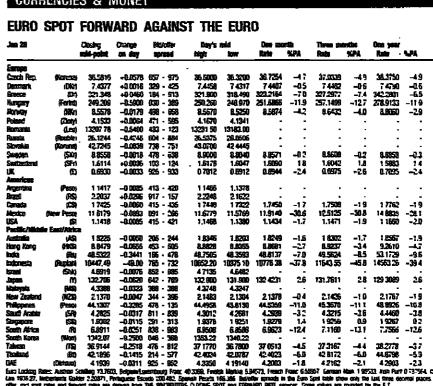
"But markets will come down," Mr Cornish said. "We These were superb fig. expect a 5 per cent drop in as well as bad figures for quarter GDP reports." The FTSE Eurotop 300

index rose 16.66 to 1,207.78, while the FTSE Eurotop 100 gained 41.03 to 2,770.22. The FTSE Ebloc index of leading stocks in the euro-zone settled 17.49 higher at 1,018.42. French carmakers were

seen as the main bid targets following the Volvo/Ford

deal. German companies are among the principal drivers of restructuring. Peugeot was up €6 to €145.50, while Renault gained €3.30 to €45.12. BMW remained unchanged at €610 and cents higher at €90.40.

DaimlerChrysler closed 40 €23.75, after reporting full-



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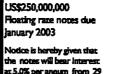
Prices of Berman companies on this page from electronic Xults typing.

European Investment Bank

US\$250,000,000 Floating rate notes due January 2003

the notes will bear interest at 5.0% per annum from 29 January 1999 to 30 July 1999. merest payable on 30 July 1999 will amount to US\$126.39 per US\$5,000 note and US\$2,527,78 per US\$100,000 note.

29 January 1999



Global Agency and Trust Services,

CITIBANC

NOTICE TO BOND AND NOTE HOLDERS

Term Credit Bank of Japan, Limited (London Branch) to The Industrial Bank of Japan (Linconbourg) S.A. 6, Rue Jean Monnet, P.O. Box 68, L-2010 Lavembourg Tel (352) 421617-1 Fax (352) 421617-4884489 Telex (2891BJLXLU) effective from 29° January 1999. The Industrial Bank of Japan (Luxembourg) S.A. is appointed as the Agent. The Industrial Bank of Japan, Lumned (London Branch) is appointed as the Paying, Replacement and Process Agent: Emerated Steel Corporation JPY 30,000,000,000 7.25 per cent Bands due 1999

The Industrial Bank of Japan (Luxembourg) S.A. is appointed as the Agent. The Industrial Bank of Japan, Limited (London

Branch) is appointed as the Process Agent:

Japan Electronic Computer Co., Ltd. USD 30,000,000 Guaranteed Fixed/Fixatine Rate Notes due 2000

The Industrial Bank of Japan (Luxembourg) S.A. is appointed as the Fiscal and Replacement Agest. The Industrial Bank of Japan, Luxited (London Branch) is appointed as the Paying Agent:

Sumpara Metal Industries, Ltd. JPY 30,000,000,000 7% per cent. Bands due 2001 Dated: 29° January 1999 / The Industrial Bank of Japan (Laucembourg) S.A.

Notice is hereby given for the following issues that Fiscal Agent / Principal Paying agent / Agent Bank / Replacement Agent / Process Agent have changed from The Long Term Credit Bank of Japan, Limited (London Branch) to The Industrial Bank of Japan, Limited (London Branch), Bracken House, One Friday Street, London EC4M 9JA effective from 29° January 1999.

The Industrial Bank of Japan Limited. (London Branch) is appointed as the Fiscal Agent, Procepul Paying Agent, Rep

All Nippon Airways Co., Lel. USD 100,000,000 9% per cent. Guaranteed Notes due 1997
All Nippon Airways Co., Lel. USD 100,000,000 9% per cent. Notes due 2000

All Nippon Airwars Ce., Lel. USD 100,000,000 9% per cent. Notes due 2000

The Industrial Bank of Japan, Limited (London Branch) is appointed as the Process Agent:
Footwork Express Corporation USD 20,000,000 Guaranteed Floating Rate Notes due 2001
Footwork International Corporation USD 20,000,000 Guaranteed Floating Rate Notes due 2001
Footwork Construction Corporation USD 20,000,000 Guaranteed Floating Rate Notes due 2001
Nalazana Co., Lel. USD 10,000,000 Guaranteed Floating Rate Notes due 2002
Gift Plastic Industry Co., Lel. USD 10,000,000 Guaranteed Floating Rate Notes due 2002
Masta Concrete Industry Lel. USD 10,000,000 Guaranteed Floating Rate Notes due 2001
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Notice is berely given for the following issue that, The Industrial Bank of Japan, Lamited (London Branch) is appointed as the Paying.

Agest effective from 1º January 1999:

Holuriku Electric Power Company USD 300,000,000 7 per cent. Notes due 2001 Dezed: 29° January 1999/The Industrial Bank of Japan, Limited (London Branch)

National Bank of Hungary U.S.\$100,000,000 Floating Rate Notes due 2000

WITEB

KB IFIMA N.V. KB Internationale Financieringsmaatschappij N.V.

US\$ 150,000,000 Guaranteed Floating Rate Notes due 2011

In accordance with the Description of the Notes, nonce is hereby given that for the Interest Period from January 29, 1999 to April 30, 1999 the Notes will carry an Interest Rate of 5.025% per annum.

The Interest Amount payable on the relevant Interest Payment Date, April 30, 1999 against coupon № 52 will be US\$ 127.02 per US\$ 10,000

principal amount of Note and US\$ 3,175.52 per amount of Note.

Kredietbank Luxembourg

NOTICE OF NEW CONVERSION PRICE To the Holders of

CHEIL JEDANG CORPORATION (formerly CHEIL FOODS & CHEMICALS INC.)

USD 30,000,000.00 3% Convertible Bonds due 2006

NOTICE IS HEREBY GIVEN to the holders that, as a result of the issue by the Company of 747.555 ordinary stores of the company pursuant to the Company's Board of Directors resolution passed on Decamber 9 1998, and subject to final Planth 12 1999, the advance Conversion Price per share of Non-voting starse of the Company has pursuant to the provisions of the Trust Deed constituting the Bonds, been adjusted from KRW15,357 to KRW14,885 with effect from

January 1 (999). CHEIL JEDANG CORPORATION

By: Citibeak, N.A. as Principal Paying Agent and Conversion Agent

Deced: 29 January, 1999

CITIC:ORP ©

U.S.\$350,000,000

U.S.,3-35U,UUU,UUU
Subordinated Floating Rate Notes Due November 27, 2035
Notice is hereby given that the Rate of Interest has been fixed at
5.0376% in respect of the Original Notes and 5.125% in respect of
the Enhancement Notes, and that the interest psyable on the
relevant Interest Payment Date February 26, 1939 against Coupon
No. 160 In respect of US\$10,000 nominal of the Notes will be
US\$39.18 in respect of the Original Notes and US\$39.86 in respect
of the Enhancement Notes.

Subordinated Floating Rate Notes Due October 25, 2005 Notice is hereby given that the Rate of Interest has been fixed at 5.0375% and that the interest payable on the relevant Interest Payment Date February 25, 1999 against Coupon No. 161 in respect of US\$10,000 nominal of the Notes will be US\$39.18.

Global Agency and Trust Services, Citibank, N.A. London January 29, 1999

CITIBAN(C)

Moody's defends ratings on Japan

By Julie Hess in Tokyo

Moody's Investors Service, the credit rating agency, yesterday defended its ratings policy and record in Japan. Vincent Truglia, managing

director in New York, and Masaharu Kakutani, representative director in Tokyo, tried to justify Moody's decision to downgrade Japan's sovereign rating to Aa1 from

Mr Truglia admitted Moody's downgrading had been criticised on all sides. American and European investors thought the rating was still too high and many Japanese regarded it as too low, leading Mr Truglia to the conclusion that "we probably got it right".

He explained: "Japan's debt-to-GDP level is 110 per cent, which is now higher than Canada's and close to

Moreover, the Japanese government forecast a rise in debt to 140 per cent of GDP over the next few years. a record level for an industrialised nation.

The rating also took into account Japan's contingent liabilities. Which were seen as substantial. The fiscal investment loan programme embedded losses were likely to make up 10 per cent of GDP and public funds injected to the ailing banking sector were estimated to amount to 15 to 20 per cent

Another serious mediumterm problem was the huge public pension liabilities, which would have to be funded in the future.

Moody's also strongly rejected the suspicion that it was quietly favouring the US over Japan by being less critical towards its "own"

WORLD BOND PRICES

IN LATER AMERICA

11/00 9,000 109,5100 11/07 7,000 121,8900

DePfa pfandbriefe raise €3bn Project finance

NEW ISSUES

By Khozem Merchant DePfa Bank yesterday

launched the largest single euro-denominated global pfandbrief issue since the currency was unveiled earlier this month.

The 10-year C3bn bond is the latest in a string of large issues by German institutions and a sign of the growing internationalisation of a uniquely German market.

The jumbo plandbrief market is the biggest nongovernment sector of the euro-zone capital market and is forecast to grow by 35 to 50 per cent this year, said Morgan Stanley Dean Witter, co-lead manager with Com-

DePfa is the largest pfandbrief issuer, with outstanding issuance of €24bn before yesterday's offering. The bond will be priced today at an indicated 35 basis points over the 10-year bund.

Mass Transit Railway Corporation. the quasi-government rail operator in Hong Kong, launched the first big corporate bond by an Asian borrower in more than two years. The 10-year issue was raised from \$500m to \$750m due to strong investor demand; 40 per cent was sold

New international bond issues H-US DOLLARS Feb 2009 0.45R Feb 2008 0.45R Feb 2004 0.275R Feb 2002 0.15R Feb 2002 0.15R Feb 2003 0.275R Feb 2003 0.275R Feb 2004 1.875 (4)R 99.584R 90.71R 99.845R 99.914R 99.985 96.786R Household Finance Corp Onnier Australia Benkt Swedbarrict National Australia Benkt Credit Suisse Group Finance City of Montreal E EUROSei DePfe Bank AG(p) Kingdom of Sweden Abbey National pic Atems Obligationa(I)

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bond and, but for some small first visit to the global capital markets since 1995. Since then some of its financing needs have been met by revenues from its property interests, which provide 3 per cent of total profits.

MTRC has a borrowing programme of \$1.5bn a year. over the next four years. Its new bond does not carry a

This is MTRC's first global EGAT issue in Thailand. Kohlberg Kravis Roberts, the which was enhanced by a World Bank guarantee. Yesterday's bond was

priced to yield 2871/4 basis points over the relevant US Treasury and traded in. Willis Corroon, the third biggest insurance broker in the world, issued a \$550m high-yield bond, the first significant European high-yield

issue of the year. The money will be used to

leveraged buy-out specialists, to buy the broker for 2885m last year. The bond was priced to yield 432 basis points over Treasuries.

Bankers hoping for a high-yield market were cheered because 18 per cent of the paper was sold in Europe, where issuance of sub-investment grade paper stopped after Russia's

future was little changed for

the third day running, falling 0.08 to 120.03. Investors are now focusing on next week's meeting of the monethe market this year. In Europe, lending fell 84 per cent to \$16.8bn largely

due to the Russian default, which severed Russian access to capital markets. • Chase Manhattan continued to lead the PFI league table, despite a 40 per cent drop in activity last year.

Athens bond market to be lending falls 11% modernised

By Kerin Hope in Athens

Greece will make a start

next month on modernising

trading on the Athens bond market, amid rising investor

confidence that it will

become a member of the

The finance ministry

wants to deepen market

liquidity and boost second-

ary trading in Greek bonds,

which is still at low levels in

spite of spectacular price

gains as drachma yields con-

On February 1, the central

bank's electronic bond trad-

ing system will open to trad-

ing by foreign banks, to help

transparency. International

investors have said lack of

access to the Bank of Greece

An official bond market in

revos" – fixed term repur-

chase agreements - is to be

bonds since early January.

market. The benchmark 10-

INTERNATIONAL BONDS

ing the market.

verge towards euro yields.

euro-zone in 2001.

By Arkady Ostrovaky

Global project finance lending dropped 11 per cent last year to \$66.4bm, the first time the growth trend has been reversed this decade. according to research by IFR's Project Finance International magazine.

PFI. which publishes an innual league table of banks involved in glöbal project finance, said the fall was the result of the melt-down in the Asian economy and the Russian financial crisis. What marked out 1998

were the regional shifts vithin the market," said Rod Morrison, the editor of PFI. This trend was likely to continue this year, he added. While raising capital for infrastructure projects is still relatively easy in the developed markets, emerging markets are suffering from a loss of confidence and find it difficult to raise funds. "A lot of time has been spent already on sorting out previous loans that have run into problems." Mr

Morrison said. Globally, bank lending dropped 16.3 per cent to \$56.7bn while bond issuance for project financing rose 23 per cent to \$9.9bn. Bank lending in Asia-Pacific fell 47 per cent to \$10bn, while lending in the Americas was up 61 per cent to \$25.1bn.

The US power sector attracted most project financing in the region last year and is expected to dominate

As part of the convergence bring drachma yields in line with the euro level of about 3 per cent, the finance minis-

This week's 10-year bond issue raised a record Dr440hn at a weighted average yield of 6.1 per cent, narrowing the spread above bunds to 245 basis points.

"Greece is following the model of Italy, where the bond market made a spectacular take-off as soon as investment was no longer linked to physical possession of securities," said Constantine Boukos, treasurer at Eteva, the Athens investment bank.

Nikos Christodouiakis. deputy finance minister, has adopted a cautious approach to developing the fledgling bond market. Greece's record of volatile interest achieve a rapid increase in volume and to improve rates and its reliance on issues of short-term Treasury bills to finance the large public debt have ham-

pered its growth. During the Russian and Asian crises secondary trading dried up as most primary dealers from Greek banks withdrew from the market. Analysts said Mr Christo-

launched in March, a move likely to trigger more doulakis's decision to add inflows from international five new primary dealers. investors that have been including Dutch bank ABNpouring funds into drachma Amro and Italy's San Paolo di Torino, would help boost Bond futures will be the volume of secondary traded from May, when the trading. Athens stock exchange is

"These are encouraging due to launch a derivatives moves that will help push down interest rates, but year bond would become the first futures instrument, more has to be done to improve liquidity." said according to finance minis-Christopher Sardelis, chief economist at Bank of Amer-

effort requiring Greece to ica in Athens. Greek banks hold sizeable amounts of non-tradable bonds issued by the governtry has increased the size of ment on special terms. seven and 10-year issues at which should be restructhe expense of short-term tured as market debt. he

Europe flat, Treasuries mixed The March 10-year UK gilt

BENCHMARK BONDS By Bertrand Benoît in London and John Labate in New York

ended flat and US Treasuries were mixed in midday trading, after the release of a favourable employment cost

index report. By early afternoon the 30-year US Treasury, the benchmark for long-term interest rates, was up 🔒 to

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101县, yielding 5.120 per cent. Two-year notes fell & to 99%, vielding 4.583 per cent.

"We're probably going to have this kind of range bound market for a while,' said Ken Fan, US bond strategist at Paribas Capital Markets in New York. "With the Fed on hold no one's even talking about the FOMC meeting next week."

Labour wage, salary, and sured by the quarterly ECI absence of fresh news.

BOND FUTURES AND OPTIONS

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Sett price Change

-0.12

report, rose by 0.7 per cent in the fourth quarter, a more modest rise than analysts had expected.

European bond markets lacked direction. The 10-year German bund future fell 0.05 to 117.70. Analysts said German, Italian and Belgium bond auctions this week showed a healthy appetite for euro-zone bonds, but investors were unwilling to compensation costs, mea- take new positions in the

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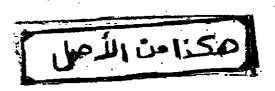
Bank of England, which will decide whether to cut rates. "I think the MPC could cut rates by 50 points, and that means the loss of interest in gilts creates a buying opportunity." Glenn Davies at Credit Lyonnais said.

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88	04/07	7.260	AAA	112,3480	5.35	-0.03	+8 02	+872
ABN Acomo	06/07	7.125	AA-	103.9540	6.49	-0.03	+0.14	+1.85
Oceahec ·	01/07	7.000	A+	106.1483	6.02	-0.03	+0.12	+1.33
Citicorp FRM	02/04	5,312	AA-	94.2007	8.67	-0.02	+0.13	+2 1T
	7.5 i	: - : : : :			: -			
Sever L-Bk	08/04	9.500	AAA	119.4604	5.33	-0.01	-0.10	+0 19
Tomate Oil of	05/04	8.500	AA.	114.6476	5.26	-0.01	-0.25	+0 12
Bed Cacada .	07/99	10.625	A.	102.2709	5.19	-0.02	-0.11	+1.27
Deuteche B FRM	09/02	5.875	AA.	101,4677	5.42	-0.02	-0.09	+0.36
100			•	,				70.00
· E \$::		F	•		٠			
	12/07	7.825	AAA	118.9200	4.93	+0.02	-0.27	+0.63
Dreadner Bk	12/07	7.750	W-	112.8750	5.84	+6.02	-0.28	+1 54
Solisto Gas	03/00	7.625	A+	102.0318	5.74	+0.09	-0.06	+8.57
Abbey Net FRM	02/02	7.138	. AA	100 0235	4.32	-0.01	-0 41	-0.23
10 388	:::::::	`a.'	<u> </u>	· · · · · · ·	: : <u>-</u> ,			
6 6	01/08	3,750	AAA	103,5852	3.27	_	-0.11	+0.56
Brit Columbia	02/02	3.250	AA.	103.8482	1,94	+0.02	-0.04	+0.29
Hydro-Otebec .	05/01	6.750	n/a	109.2045	2.57	+0.02	-0.04	+1.06
Gen Bect.	09/01	1.711	1/2	99.6635	1,53	+0.03	-0.03	+0.02
	<u> </u>			\$	- ' ' .	٠_		
IBRO (Nond 616	03/02	5.250	AAA	113,9816	0.72	+0.03	-0.16	-0.19
Spain (Kinodom)	08/02	5.750	AA	115.2943	0.80	+0.03	-£.16	-0.11
Cred Foncier	08/02	4.750	A	111,6388	1.34	+0.03	-0.22	+0.43
italy (Rap of) .	07/99	0.516	AA	100,0887	0.33	-	-0.15	+0.03
国籍 公共 30								
	****		AAA	- 54 0070	·			
IBRD (World Big) New Sith Wales Tr	02/08 05/06	6.000		104.0976	5,41	-0.05	-0.04	+0.39
S. Aus Gor An	06/03	6.500 7.750	1/2 AA	106.1817 108.3703	5.45	-0.05	-0 07	+0.50
S. AUS BOY HEL GMAC Aust.	05/01	9,000	70/2	107.3288	5.55	-0.05	+0.01	+0.74
	USUI	STARI	ora	IVI .3200	5.50	-0.08	-0.01	+0.76
London choelog. Şizmand & Pour's rallage.	Yelde U	ocul name	decisio	Manualised be	Source etc.	interactive	Data/FT :	dornetton

Flatend	06/00	4.00			-0.01	-0.01	+0.28	-0.75	113 -	0.48	0.93		-	0.08	0.52
	04/08	6.00	0 116.336	0 3.86	+0.01		-0.18	-1.31	Est. 44 1904	, Calle 2,708 Pc	& 1,060 . Prev	شه درخو، هم	m bot, Carbo	14,131 Pos 16	,165 .
Prepen	07/00	4.00			-0.02	-0.03	-0.26	-1.10	German	~					
	10/05 10/06	7 <i>7</i> 9			-	-0.04	-0.20	-1.43	NOTICE	MY SEARMY	KIND FUTUR	D (EUTO) ESS	M250,000	100ths of 10	10%
	04/29	6.50			+0.01	-0.03 -0.02	-0.21 -0.17	-1.43 -1.12		Open	Sett price	Change	High	i,cw	Est. v
Gérmaion	06/00	4.00	0 101.450	0 2.89	-0.01		-0.31	-1.99	Har.	117.80	117,71	-0.03	117.87	117.49	430,9
	10/05	6.50		0 3.47	+0.01	-0.03	-0.25	-1.41							
	07/08	4.79 6.62			+0.01	-0.61 -0.01	,-0.21 -0.22	-1.45	HOTION	WL GERMAN	BUND (BOBL) FUTURES	(D1B) (94250,000 1	COOthes of
	01/28				+0.02	_==		-1.12		Ореп	Sex price	Change	High	Low	Est. 1
<u> Graeça</u>	03/06 03/08	9.80 8 60			+0.03	-0.18	-0.15 -0.76	-5.78 -5.00	Mer	109,80	109.70	-0.04 -	109.62	109.64	101,7
أدرارها	1007	8.50			+0.02	+0.01	-0.19	-1 69		٠.					
a de la c	06/30	6.00		-	+0.02	-0.01	-0.20	-1.53				Marie San			400
Raty	0401	4.50	103.223	0 2.98	-0.01	-0.04	-0.24	-1.87		AL, LIFB SMA					
•	07/03	4.50		_	-0.03	-0.04	-0.15	-1.77		Cpen	Sett price	Change	Hāgā	Long	Est. 1
	05/08 11/27	5.00 6.50			-0.02	-0.02 -0.02	-0.15 -0.12	-1.58		-	102.53	+0.04	-	-	0
	1260	6.90			-10 to		-0.18	-1.18	HOTION	AL LIB STAN	RITURNES (LIFFE* 10y	4.5% DM	250,000 pair	is of 10
Japan.	12/00 12/03	6.90 4.10			+0.02	+0.03	-0.18 -0.09	-0.23 -0.13		Open	Sett price	Chands	High	Low	Est. 1
	06/08	1.50			+0.05	+0.08	-0.01	-0.01	Mar.	•	103.70	+0.11	•	-	0
	03/18	2.70	0 100.481	0 2,67	+0.04	+0,01	+0.04	-0.01	Also traded o	as AFT. All Ope	e jesterier går	ma pt. bas	dan day		
Hatherlands	05/00	9.00			+0.02	-0.02	-0.23	-1.07	Mark.						
	07/08	5.75			+0.01	-0.01	-0.23	-1.31	Italy						
New Zoubsud	02/01	8.00			-0.05	+0.02	-0.31	-221	III NOTICE	NT LLYTMI 6	OPT. BOND	(BIP) PUR		7 Ura 200m	1000s
	07/09	7.00			-0.05	-0.07	-0.09	-1.26		Open	Sett price	Change	l)îgb	LOW	Est. 1
Henway	05/07 01/07	7.00 6.79			-0.36 -0.15	-0.63 -0.34	-3.02 -0.72	+0 48 -0.67	Mar	115.50	115.41	-0.05	115.55	115.31	1056
	03/00	5.37			+0.01	+0.02	-0.19	-1.32							
Peringal	06/08	5.37			+0.02	-1,52	-0.19 -0.26	-1.32 -2.49	Spain						
Speils	NAUDO.	6.75		0 2.99	+0.01	+0.01	-0.09	-1.42		al Spanish					
_	01/08	600			+0.01	-0.02	-8.14	-1.52		Oppen	Setz price	Change	High	Low	Est. y
Sanadana	05/00	10.75	108.428	3 325	+0.03	-0.04	-834	-1.53	Mer	116.67	118.29	-0.25	118.70	118.00	27.24
	05/08	6.50			+0.02	+0.01	-0.27	-1.56	Jun	117.80	117.52	+0.03	117.80	117.80	1
S=Reprieed	06/00	4.50	104 050	0 1,64	+0.03	+0.09	-0.03	-0.18							
	01/08	4.25	J 115.750	0 228	+0.01	-003	-0.08	-0.71	UK.						
UK	11/01	7.00				+0.06	-0.18	-202	ME HOTTON	AL 5 YEAR G	LT FUTURES	(LISTE) 210	X0,000 100	ths of 100%	,
	12/03 10/08	6.50 9 00			+0.02	+0.01 +0.01	-0.15 -0.19	-204 -1.90		Open	Şek priçe	Change	High	LOW .	Est. v
	12/28	5.09			70.02	-001	-0.09	-1.91	Mer	-	109.87	+0.20	-	-	0
08	09/00	4.50	99,774		-6.04	-0.03	-0.06	-0.85	Jen 		109.51	+0.26	-	-	0
_	06/03	5.29	102,505	9 4,63	_	-0.03	-9 06	-1.03		ALUK GELT F	JIBRES (LIF	# 2100,0	00 10006	of 100%	
	05408 08/28	5.62 5.50			-0.01	-0.04 -0.02	-0.12	-683		Open	Close	Charge	High	Low	Est. v
			1119.343	4 5.21	-D 01			-0.76	Mar	120.20	120.03	-0.08	120.25	119.77	2783
London chellog. " Ylekis: Local ma	ant standardik	-Gay. Navalised v	ield besis. Yi	eida ahoum é	Source Source Hally Back	: 'ciencii: ele villia	n Dubyfi i Mar ak	125 or	Jun - 1955 +	- व्य और विक्रंब	120,78 • 487 #1 fe	-0.08	·	<u>.</u> .	0
ctur badappe på	agradinis.									LT FUTURES					
10 YEA	D DEM	CULA	DK C	DDEAL	ne				Skrika		CAL				PUTS
IU IEA	n DER			A CITCH	99		Spread		Price	Mar	Ap	_	lay	Mar	Age
	Bid	Spread vs	Spread Ys			Bild	At Can	Spread	11950	0.99	1.91	2	17	0.46	0.63
26 مط	Yield	Euros	T-Bonds			Yieki	Euros	T-Botch	12000	0.76	1.59		86	0.73	681
Australia	5.04	+1.39	+0.37	Netherlan		3.79	+0,14	-0.88	12958 12100	0.54 0.35	1.31 1.06		59 14	1.01 1.32	1.03 1.26
Austria	3.94	+0.29	-0.73	New Zez	- 11	5.50	+1.85	+0.83	12150	0.26	0.84		 12	1.73	1.56
Belgium Casada	3.95 4.91	+9.30 +1-26	-0.72 +0.24	Norway Portugal	-	4.67 3.94	+1.02 +0.29	-0.73	12200	0.17	0.66		92	214	1.88
Carvaua Denmark	3.97	+0.32	-0.70	Span		3.93	+0.28	-0,74		i, Calls 270 Put	300. Previou	s day's apen	Int., Casts 7	444 Pais 674	
Ficland	3.68	+0.23	-0.79	Sweden		3.99	+0.34	-0.58	iis						
France	3.71 3.65	+0.06	-0.96 -1.02	Switzeria LIK	nd	237 420	-1.28 +0.55	-2.30 -0.47		ASURT BOND	रगमस्ड (ट	BT) \$100.00	10 32nds o	f 100%	
Сентану Сента	6.04	+2.39	+1,37	US.		4.67	+1.02	-0.47		· Open	Lebest	Change	High	Low	Ést. v
ireland	3.89	+0.24	-0.78	Source In	eache Da	aff Into	1986	,	Har	127-11	127-07	-0-04	127-18	125 -29	304,5
Baly	3.86 1.88	+0.21	-0.51 -2.79	London ch	istog. * Res Vent beets	r Yhek da	ping.		Jan	127-02	126-25	-0-05	127-04	126-16	14,53
Japan Sen alem est						•			Sep		126-15	-	- 1.	_	52
EMERGI	ng ma	IRKE	L BOM	IN2					lores						
						Days	Milita	Sport	Japan						
	Red date Co		S&P Radino	Bid price	Bid yleidi	dige	dige	VE US	HOTION	AL LONG TER		90YT. 80		55 (LFFE) Y	1000 10
Jan 28	ORDER CA	rajili			Jenn .	yid	y4 5	4		Open	Sett price	Change	High	LOW	EL.
EUROPÉ	•					_	·		Mar	129.75	129.49	-	129.81	129,30	3533
Crosilia	02/02	7.000	3 86 -	93.7724	9.38	-0.11	+0.52	+4.81	Jan	128.54	128.55	-	128.55	128.54	110

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			<i>*</i> .	
UK BONDS				
FTSE Actuaries Government Se	ecurities			UK Indices
Price ladices Thu Day's Account		n 5	Thu Day's A	OK muices
UK Gilbs Jan 28 chge % interest		Asid Welght, Index-linked	Jan 28 choe 1/4.	CCTUEC at adj Total % Clarest vid Return Wente
	'			, Ilenan
1 Up to 5 years (17) 122.73 0.01 2.40 2 5-10 years (11) 174.04 -0.03 2.06		1.53 33.87 1 Up to 5 year 1.27 29.28 2 Ower 5 years		1.50 0.00 1175.93 15.09 1.24 1.33 1396.31 94.01
3 10-15 years (7) 189.39 -0.09 1,39		L28 13.53 3 5-15 years (1,000 1000001 04/31
4 5-15 years (18) 178.50 -0.05 1.86	0.87 1391.07 6.87 4	L27 - 42.51 4 Ower 15 year	rs (4) 271.72 - 0.16	0.52 2.29 1480.10 41.93
5 Over 15 years (4) 238.18 -0.07 2.52		1.30 22.52 . 5 All stocks (1	i) 252.02 0.12	1.28 1.10 1365.53 100.00
6 irredoerashies (4) 337.63 -0.11 2.25 7 All stocks (43) 189.19 -0.03 2.29		L45 0.80 L32 100.80		140.00
7 PE BELOW (PS) 109.19 -ULD 220	U.33 13/236 /.U8 4	L32 790,80	Inflation 0%	Inflation 5%
Yield ledices Jan 28 Jan 27 Yr ago Yield	diandices Jan 28 Jan 27 N	irago Reelyisid J	en 28 Duryns Jan 27-Yrago	Jan 28 Dur yıs Jan 27 Yr ago
5 yrs 4.33 4.23 6.34		Ib b E co	3.02 1.35 3.03 3.77	0.04
10 yrs 4.26 4.25 6.17		سترست اشت	213 1320 214 328	2.21 3.38 2.22 2.97 1.93 13.30 1.93 3.00
15 No 120 0.10 14.		A 22 . 5-15 yrs	2.17 9.81 2.18 3.37	100 000
		Over 15 yra	211 16.86 2.11 3.24	1.85 16.96 1.96 3.67
Coupen Sande: Medium: 8%-104%; High: 11% and over. † A	AE YESE, YES THEF TO SUME.	Al State	2.17 11.64 2.18 3.29	1.94 11.77 1.95 3.06
FT Fixed Interest Indices	-			
يور 10 مول 15 مول 15 مول 15 مول	25 Jap 27 Yapo Right	Last .	Jacob Jacob Jacob Jacob	
				Jess 22 Yrasgo Haga Low –
Boxt. Secs. (IIIC) 116.86 116.93 117.04 118.	177 117.17 102.92. 117.17	93.31 Fixed Scherest	158.29 158.30 158.32 158.22	158.45 137.8 158.45 115.32
© FTSE International Ltd 1999. All rights reserved. "for 19955 Basic 190: Government Securities 15/10/25 and Fluid Internat 19	28. SE activity luticus retened 1974.	ECOMPANIE 155 40 (1985) 100 45 18 (1/3975), Foud Valenast high stace complicate	tr 158.45 (22/01/99), low 50.33 (3/1/79)
UK GILTS PRICES				4
Yiel d	52 mak _	_Yek s	! trank	
Motion tot Red Price 5 + or - into	ph Low Noise	Int Red Price 2 + or - High		2) Prince or Salarak
Shorts" (Lives up to Fire Years)	Commissioner 2005	7.44 4.34 127.7452 -0476 128.16		
Trans 91-0c 1999 9.50 5.51 100,0000 102	40 700.00 feet inkee 900s. J.	778 4.37 135.04220476 135,44	124.50 2 ¹ 292 39 3 2.36	1.71 195.8148 + 0427 199.18 189.26
Tests Fig Rate 1866 108,0486 -8056 1802	23 TUUUR Trans 19lani: 2003_E	9.25 4.34 135.07980454 135.93	127.40 2120c 101	** 199.8145 + 0427 199.15 189.25
Exch 12%pc 1999	31 KUISS	681 426 124823 -8558 125.3	113.85 2506 103 (78.8) 2.06	222 200 ETT - 19127 206 40 195 02 - 1
Trees Spc 1998 5.96 5.20 100.40150129 100.	#	7.19 4.33 725,8841 -,6763 196.2	1000	213 1376370 . 1644
Com 164cpc 1999 9.85 5.12 104.01880240 1084	67 105.62 Toxes 7-lupc 2006	6.35 4.32 121.9559 -0467 122.40		
		7.18 4.60 111.3676 -0636 111.75		
		6.19 429 121.1784 -0501 121.65	100.63 4'206'11 (/4.15) 1.91	2.01 228.3179 + 1001 200 ==
•	1768 17495 200-7 .37	8.33 4.55 125.9885 + 0024 126.25	(184): 273C 13	203 197 9227 . 1077
÷		. 6.57 4.32 129.34110763 129.65 6.94 4.24 122.01020649 122.53	110.17 - 210:10	7.07711 7.480 A
Trace 81 ₂₀ = 2000		. 6.94 4.24 122,0102 -,0649 122,53 18,49 4.23 142,2182 -,0261 1,62,61		
Carr Spc 2009 8.84 5.94 184.14180147 104.1		8.53 4.20 137.69681290 138.52	133.46 21 ₂ 00 24(137.7) 1.93 122.15 41 ₈ 0t 70	199 1823167 +3433 18275 14288
THE 13# 2000	35 110.56 trace one 20mg	605 421 1322263 - 1753 13C.H	115.29 ************************************	194 180,7972 +.3717 180.95 140.70
Tream Spic 2080	69 102:22 Trans 52-a-2000	504 412 114.08781785 114.6F		
Treas Hope 2009 8.05 4.82 110.8973 -,9073 110.3	97 107 11 THOM PAUG 2010	5.28 4.25 118.3967 - 1076 118.7F		
Carr 91-25 2001 4 8.50 4.55 110.62530073 110.0	89 109,73 Cora Sec in 2071	621 430 144,9028 -,1262 145.31	125.73 At South to recombine	on projected substance of (1) 5% and (2) 3%.
Com Pape 2001	80 107.58 Treas Spc 2012	E.U 4.33147,34984 - 1361 147,74	120.07 (Street) and house bear auto-	The second of a second residence of the second seco
Treas 7pt 2001		4.92 4.01 111.78390831 112.26	SALAN 1987. Comession factor 1 care o	reflect rebasing of RP1 to 100 in February A P1 for May 1998: 163,5 and for December
Coor 10pc 2002	59 100.00 Trees 8pc 2013	5.74 4.34 138.2900 -1633 139.64 5.82 4.37133.2017xd -0.044 132.54	110.15 1890 164.4	case cers and for December
TABLE 79: 2002	13 1ULAZ	3.52 4.37 133.201 7300944 1 <u>92.5</u> 5	114.25	•
Com 9 200 2002 # 824 458 115.3365 +.0024 115.6	84 109.75 O- Cities Town		Other Fixed Interest	_
Teen 94gr: 2002 8.33 4.54 118,9895 +.0024 117.2 Beth 9pc 2007 \$ 7.60 4.50 115,3175 +.0024 115.6	Table Sept 2016	558 432 1437502 -1495 14412	120.34	•
Both Spc 2007	10 11279 Tesas 8 Apr 2017	5.02 4.25 166.0918 -: 1774 156.08	129.52	-
Trace Spc 3003	74 106_52 Exth 12pc 2013-17#	6.55 4.35 183,36061262 183,77	159.64 Inter-	
Tests 10xx 2003 8.12 4.36 123.16360243 123.5	52 115 AL TORRE DE 3821	5.23 4.29 132,85821056 153:16	178 74	
Teres 18-upc 2000-8-4-1222 4.92(12.53)4440255 116.2	ZZ 112.14 Trous Opc 2028	4.52 4.18 130,7755 -0158 150,79	100.34 Aces Day 10 Apr. 2009. 7.28	An
	. بينو		D481111402207 754 /	
Five to Fitteen Years	Councis 4ne	4.80 - \$7.0000±1 + 2303 - \$7.19	1935 JANE 700 GA	— isin 102i, y
Topes 6 ¹ 200 2063 5.91 4.22 108.8904 - 2038 110.2 Topes 11 ¹ 200 2001 - 4 20.15 4.57 113.2570 - 0185 113.9	7 100.00			- 60
Trans (fine 2004 # 7.92 d.#2 126 1998 = 0241 1944	EX . 117 95 CON 3 205 GT AG.	3.62 - 91.6206 - 1839 95.65	73.80 Meschesia: 11 zpc 2007 7:33	- 50 - 51 - 50 - 51 - 55 - 55 - 55 - 55
Runday 3 gr. 1989-4 . 3.57 3.65 96.6154 - 6146 98.5	26 81'38 juse abc ag ver	4.88 - 61.5000 -0.266 61.93	45.18 Mar Wr. 3pt B 1.37	165 1661, 1711.



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MITERINATIONAL ROSES

By Florian Gimbel and Richard Adams

MARKETS REPORT

level against the euro, on the back of a widening performance gap between the US and euro-zone economies.

ble goods and employment costs in the US helped the dollar gain a further 0.8 of a hours in London at €1.142. The dollar also showed a mixed response to the testimony of Alan Greenspan, months. the chairman of the US cen-

tral bank. Mr Greenspan told a congressional committee that euro, based on the expected the US could not remain "an oasis of prosperity" while the rest of the world remained "in serious trouble", which some took to lower the chances of an eas-

ing in US monetary policy.

+0.0954 483 - 684 +0.2795 875 - 484 +0.0538 270 - 405 +0.0412 763 - 850 +0.0454 617 - 73 +0.0135 211 - 240 +2.2920 529 - 985 +0.0054 380 - 372 +13.4100 294 - 576 +0.2795 875 - 484 +0.0152 767 - 819 +0.0336 390 - 815 +1.3890 181 - 474 +1.1580 600 - 243 +0.0588 690 - 917 +0.0168 240 - 289

gained after his testimony, which also served to help the dollar during trading in New York.

The dollar slightly stron-Y0.8 to end in Europe at Y116.2. The strength of the dollar gave a lift to sterling, which ended at £0,693, a gain of a third of a cent.

vinced that the dollar owes its strength not so much to the US boom, but rather to the disappointment over performance in recent "Before the launch of the

POUND IN NEW YORK

58.0928 10.7152 8.5624 9.4484 9.4485 1.1342 2782,55 3.1736 12.3665 288,711 239,15 12.7551 2.3171

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190.701

8,7810 191,810 62,716 3,0908 63,9680 61,902 2,7988 9,9917 1841,10 53,377

57.8369 3.1596 12.3921 287.439 238.554 12.7041 2.3

65.0302 -8.4 6.1959 -1.0 2.7613 3.5 10.2026 -10.4

in currency portfolios, said Cameron Crise, currency strategist at Warburg Dillon Read in London.

"But now that Europe ger against the yen, gaining faces slowing growth and rising unemployment, the bets are off," Mr Crise said. Others are less gloomy about the fate of the euro-

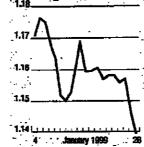
Alison Cottrell, chief inter-■ Some analysts are connational economist at Paine Webber in London, said the fundamentals of the European economies have remained largely unchanged since the start of the year.

weakness in the euro was a shift in interest rate perceptions. With all the soft data single currency, markets were betting on a strong economies, markets are expecting a cut in the eurozone interest rate," said Ms

To some European policy makers, a weaker euro may be a blessing in disguise.

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Euro troubled by dollar surge



against a gradual slide in the euro, with exporters in bad need of lower exchange chief economist at Bank of America in London.

■ As growth in the eurozone remains sluggish, the US economy remains strong. "With employment costs

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of inflation, the Goldilocks economy is alive and well,"

said Mr Hawkins. But Fred Bergsten, the US economist, contested the view that the US was an "oasis of prosperity," in a paper to be presented at the annual World Economic

dollar to weaken sharply this year, owing to structural and cyclical problems within the dollar's domestic

"One of the major global economic events of 1999 is in the exchange rate of the dollar," said Mr Bergsten.

OTHER CURRENCIES

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equilibrium exchange rates, suggested a rate of €1 to around \$1.25 and \$1.30 around 10 per cent weaker rate. The same calculations

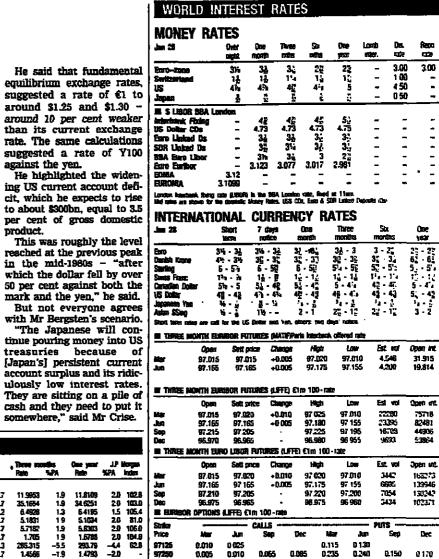
against the yen. He highlighted the widen ing US current account deficit, which he expects to rise to about \$300bn, equal to 3.5 per cent of gross domestic

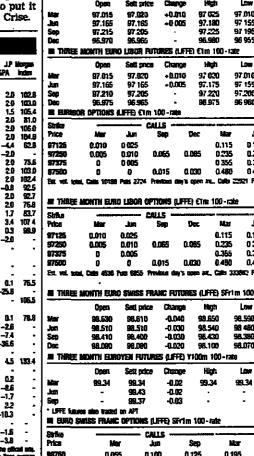
reached at the previous peak in the mid-1980s - "after which the dollar fell by over mark and the yen," he said. But not everyone agrees

with Mr Bergsten's scenario. tinue pouring money into US treasuries because of [Japan's] persistent current ulously low interest rates They are sitting on a pile of cash and they need to put it somewhere," said Mr Crise.

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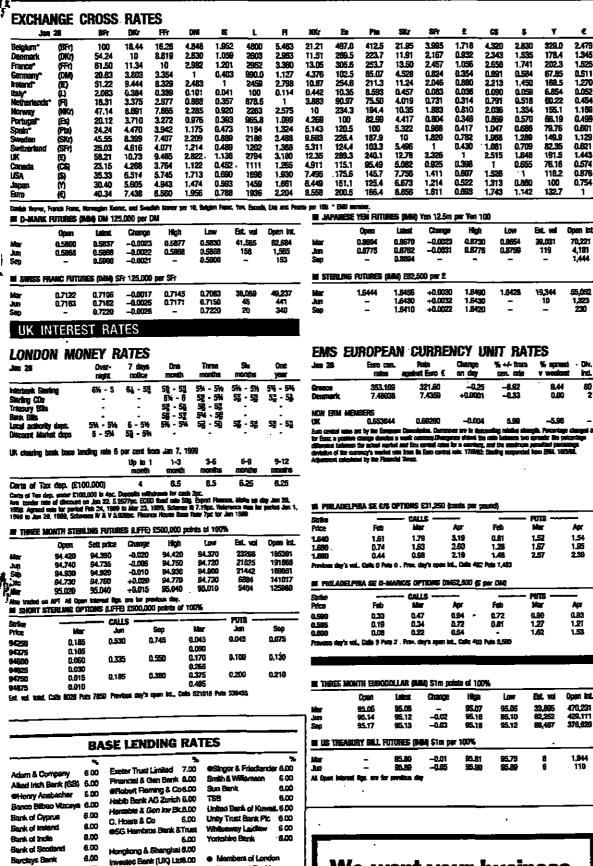


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Copper pays price of expansion

Stocks are near record levels but most producers seem willing to soldier on, even though they are starting to lose money

By Gillian O'Connor Mining Correspondent

There is too much copper around. Far too much. Official warehouses are bulging with the stuff: yesterday stocks were just 3,400 tonnes short of the 1978 record of 645,300. And if the rumours yet more of the red metal from Chile to Europe.

simple enough. Double-digit growth in Asian demand in the mid-1990s, accompanied by soaring metal prices, markets began to collapse in 1997, many of them reckoned it was too late to cancel their projects, let alone reduce their existing production.

In 1997 itself supply was rising more than twice as fast as consumption. And since the new mine capacity operation gradually over the next couple of years, the glut is likely to get worse, even though consumption is

slowly picking up again. Analysts argue that the only remedy is for mining put and shelve their expansion plans. There were some

proving surprisingly willing to soldier on, even though they are losing money.

This week, for instance, after a fourth-quarter 1998 loss and dividend cut from fourth-quarter loss for the big four producers (Freeport, decade". Since the copper expects results to deteriorate prices.

further in 1999. What may seem a bit odd to the layman is that two encouraged copper miners to announcements of signifiexpand. And when Asian cant cuts in the past few analysts found the weeks appear to have done little to stiffen traders' morale.

First, Highland Valley, a would close down its 170,000 tonnes a year mine in May. Then state-owned Chilean Codekco, the world's largest is scheduled to come into producer, revealed it was not going ahead with a couple of large expansion projects, which would have increased future output by more than

200,000 tonnes. Given that research firms estimate that the copper surbetween 200,000 and 500,000 tonnes this year, the cuts late last year, totalling announcements from Highperhaps 350,000 tonnes, but land and Codelco would

There are several reasons for the market's apparent

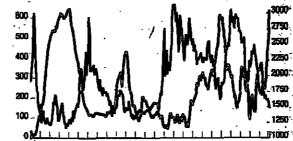
indifference. • The warehouse stocks. Traders are pragmatists: at least in the short term they Asarco, Larry Kaplan at pay more attention to what London Metal Exchange Flemings Research calcu- is happening than what may lated that the aggregate happen. Record warehouse stocks are a fact it is impossible to ignore. True, stocks are right, the seas are Phelps, Asarco and Cyprus) can be manipulated, and do packed with ships ferrying was some \$35m, "the first not provide a clear reflection such aggregate loss in over a of the surplus. But they still tend to be the most impor-The cause of the surplus is price is still falling, he tant single influence on LME

 Scepticism about Highland. Although there had been some rumours (denied) that Highland would close, announcement puzzling. Its operating costs were lower than some of its North American rivals', and it had Canadian producer, said it just agreed a new contract to supply copper to the Japa-

So some observers interpret the announcement as a negotiating ploy, designed to help Highland reduce its energy costs or beat down union demands. The fact that British Columbia. where the mine is sited. demands 16 weeks' notice of closure would facilitate such Machiavellian tactics.

And if it does close on schedule? It would be "a further step in the right direction to balancing the market but further cuts are





required", says Kevin Norrish of Barclays Capital. • Codelco was not a surprise. Many analysts were expecting Codelco to trim its expansion plans. The falling copper price has meant the state-owned company's political masters are demanding it cut its spending. This week Codelco said it had met government leaders to discuss plans to increase productivity, continue cutting staff numbers and costs, and sell non-core assets.

The key question now is how much further prices will

need to fall to encourage other companies to cut their production.

Bloomsbury Minerals Economics argued this week that "if major inflows into LME warehouses do continue in the short term...prices could easily fall in coming weeks to \$1,300-\$1,400 a tonne (59-63.5 cents a pound). We also think that if prices stay this low for a period of months, there will be major production cutbacks." If so, it foresees a sharp bounce in the

copper price later this year.

gold mines South African gold mines

continued to reap the benefits of cost-cutting and restructuring in the three months to December, but latest production and earnings figures show they were hit by the weakness of the gold price and the relative strength of the rand against the dollar in the quarter.

Cutting costs helps

second higgest gold company which was making losses vhen it was formed a year ago from the gold assets of Gencor and Gold Fields of South Africa - vesterday announced a maiden interim dividend of 50 cents a share after a return to profits.

Gold Fields, the world's

Rand costs were little changed, but dollar costs rose by about 9 per cent between - September and December. For the core mines - Driefontein, Kloof and Beatrix - cash costs rose to \$197 an ounce from \$181, while total costs, including capital expenditure, rose from \$222 to \$241. Overall net profit fell from R304.3m to R188.9m

(\$31,42m). "The foundation of the turnround to date has been cost-cutting," said Tom Dale, Gold Fields managing director, adding that future improvements would come from higher productivity.

Chris Thompson, chairman, said there had been several approaches to Gold Fields by other companies. but he wanted to boost the company's rating and share price before even consider ing a merger or similar deal

Harmony boosted its output by 18 per cent in the quarter, giving it an annualised production of 1.3m ounces, but retrenchment costs of R30m helped cut net profit to R38.8m from R78.2m. Avgold reported net profit of R19m, compared

Think-tank S African sees edible oil price jump

Prices of oilseeds and tropical oils are likely to jump this year because of a shortfall in world supplies. Global stocks remain low and although soyabean oil stocks have risen, they will not compensate for a fall in supplies of palm oil, the Economist Intelligence Unit says in its latest "World Commodities Forecasts: Food, Feedstuffs and Bever-

ages" report. As a result, edible oil supplies are forecast to fall short of consumption by 368,000 tonnes for the year ending September 1999. pushing up prices.

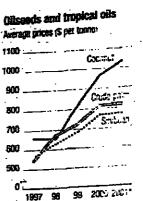
The EIU expects world production of edible oils which include soyabean oil, crude palm oil, sunflower seed oil and raneseed oil - to rise 3 per cent in the year to September to 62.7m tonnes. However, it says production because of poorer prospects

for palm and rapeseed. Palm oil prices averaged \$673 a tonne last year, compared with \$546 in 1997. This year they are expected to rise again to \$725 a tonne.

Rapeseed oil prices fell during 1998 to average \$529 a tonne against \$565 in 1997. but the EIU expects them to recover to an average \$670 a tonne this year. Soyabean oil and coconut

oil prices are also expected to trade higher this year. Stocks of lauric oils which include coconut oil per cent in 1998 compared with the year before and although demand also fell,

Lauric oil stocks are expected to drop by more than 20 per cent this year, pushing prices of palm kernel up to an average of \$809 a tonne against \$685 in 1998.



Coconut oil prices are expected to average \$823 3 onne against \$658 last year. Among other soft commedities, the EIU predicts a

· Fred Circle

more modest year. Tea prices could average \$1.66 a kg this year against \$2.01 last year, as global supplies outstrip demand by 108,000 tonnes.

The think-tank is predicting even lower prices of \$1.45 in 2000 as the surplus of text rises to 138,000 tonnes. Rice prices, meanwhile.

are expected to stay at around 1998 levels which averaged a little over \$300 a tonne, although the EIU adds: "The exceptionally high level of trade in 1948 has drawn down stocks, and markets may be much less stable in 1999 if import demand proves higher than

expected. The EIU agrees with other analysts that there will be a small shortfall in cocoa supand palm kernel oil - fell 4.4 plies this year, but predicts a return to a surplus of 26,000 tonnes in the 1999-2000 season. It sees prices little changed from last year and

falling further in 2000. Coffee prices are also forecast to fall because of large stocks and a bumper crop from Brazil, the world's higgest producer.

Cobalt steals limelight in quiet day

MARKETS REPORT By Gillian O'Connor, Robert Corzine and Paul Solman

Cohalt stole the limelight in an otherwise quiet day for metals. Prices had collapsed from more than \$21 a pound in June to below \$6, but have bounced back by \$4-\$5 in the past few days.

One influential trader is said to have tied up exclusive three-year marketing

deals with both ZCCM and Gecamines, two big suppliers. The same trader is believed to have made the highest bid for the 500,000 lbs of cobalt sold by the Defence Logistics Agency

between \$6.20 and \$16.18. Oil prices firmed in late trading yesterday, even though there was more evidence that refiners intend to reduce runs because of high refined product stocks.

Brent Blend for March national Financial Futures on London's International Petroleum Exchange. A surplus of product stocks in the US and Europe

this week. Bids were is putting pressure on refining margins and has caused some refiners to cut back on crude demand. February usually marks a seasonal low in US refinery runs. Robusta coffee futures fell

delivery was up 2 cents at and Options Exchange after Canute James in Kingston. \$10.90 a barrel in late trading a round of fund selling. The most actively traded March tonne, down \$27 on Wednesday's close. On the dry bulk cargo

market, the benchmark Baltic Freight index closed 8 points lower at 835. It has traded recently at around its 12-year low of 776. Jamaica's bauxite produc-

This is the highest figure for 25 years and the third highcontract finished at \$1,718 a est annual output for the industry, according to the island's Bauxite Institute. Alumina production last

year was 3.44m tonnes, up 1.3 per cent from 1997. The growth in production was caused by restructuring of sections of the industry and improved industrial relawith a loss of R6m.

COMMODITIES PRICES

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M BARLEY LIFTE (100 komes; & per torne)

SOFTS P COCOA LIFTE (10 tormes; \$3to 892 6,084 45,217 908 2,542 34,821 928 1,400 13,101 948 2400 32313 8 1,776 18 381 398 8,894 997 1,750 14,418 13,099 180,750 liter Total 273.25 +4.75 276.50 271.00 14.231 67,395 284.50 +1.50 287.00 287.00 2,284 16,780 283.50 +4.50 287.25 282.00 3,891 37,182 304.50 +1.70 387.00 333.00 598 3,258 317.50 +1.75 319.50 316.00 225 3,526 21,633 128,135 1321 +45 1325 1353 +34 1357 1382 +14 1381 1413 +15 1415 1451 +14 -1488 +14 1475 1304 3,045 29,745 1338 137 21,137 1368 46 6,772 1402 157 4,685 - 50 5,978 1470 50 8,446 4,523 75,078 216.00 40.50 218.00 214.50 21,339 164,789 222.00 40.75 224.75 220.75 3,347 65,893 227.00 40.75 230.00 226.00 4,541 70,110 233.00 40.50 256.25 232.25 411 18,194 JA COCCIA (ICCO) (SDR'aforme) Price 1013.35 Prev. day 1019.95 III COFFEE LIFFE (5 torres, \$/torne) 1680 -30 1700 1675 214 472 1777 -28 1728 1693 5,207 22,228 1650 -12 1652 1630 1,850 10,134 1627 -13 1630 1612 213 2,713 1613 -15 1618 1605 180 1,362 1398 -15 - 289 7,784 \$7,933 Jan Mer Mey Jel Sep Nov Total 80.50 ~0.40 - - - 253 81.50 ~0.40 - - - 80 78.25 - - - - - 35 80.25 - 80.25 80.25 20 145 82.25 - - 10 20 20 513 Mar Mar Jul Sep Dec Mer Total 103.40 -0.40 104.90 102.80 7,873 18,882 105.15 -0.65 108.75 105.00 3,058 9,225 106.90 -0.60 108.90 107.00 340 3,938 108.65 -0.45 109.75 106.90 115 2,388 110.05 -0.30 111.40 110.35 157 1,397 711.30 -0.75 112.00 111.55 12 369 THE SOYABEANS CET 5,000to min; contents bushed 510.25 -2.75 516.50 508.75 31.895 70.850 514.25 -2.00 519.75 512.25 4,526 28,982 518.75 -1.75 524.75 517.00 4,833 32,554 519.75 -1.50 526.00 519.00 550 8,826 519.75 -1.25 525.00 519.75 467 2,486 525.50 -1.25 525.00 519.75 467 2,486 525.50 -1.25 525.00 519.75 467 2,486 # COFFEE (CO) (US cente/pound) 99.15

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Mer May Jul Sep Hov Jan Total PULP AND PAPER Sett Day's price change High Lew Yel 412.00 +1.00 413.00 412.00 15 15 -FUTURES DATA All behaves data supplied by CAS.

Wool from Maliett & Co
Farmers hoping that Amited Australian
offerings this week might lead to a firm
market were soon disflusioned. Prices
sused as soon as wool came on offer at
Sydney and Melibourne on Wednesday,
end continued to fall the next day. The
eastern market indicator ended at 502
cents a kg. 15 cents down in the week.
New Zesland also eased, with the indicator
down 3 cents to 397 cents a kg. British
wool, auctioned in Bradford on Wednesday, was cheaper by about 2.5 per cent.
General softness in the raw wool market is
the to poor demand from all the big consumming countries.

III WHITE SUGAR LIFFE (50 lornes; \$7000s) 221.8 +3.3 221.2 217.8 2.361 15.185 222.5 +3.4 222.0 218.8 1,195 15.483 220.5 +2.4 220.0 217.8 894 8.480 214.2 +2.3 213.5 212.0 303 6.698 216.2 +1.5 217.5 214.7 807 1,957 221.2 +1.5 222.5 218.7 232 894 5,933 49,033 # SUGAR '11' CSCE (112,000fbs; cents/fbs) 6.92 +0.27 6.95 6.81 +0.14 6.88 8.73 +0.06 6.82 7.06 +0.11 7.14 6.7119,534 65,296 6.7411,373 34,387 8.72 4,372 28,972 7.05 1,471 21,108 7.39 +0.07 7.47 7.39 1,185 12,397 7.49 +0.07 7.55 7.48 20 2,408 E COTTON NYCE (50,000lbs; conts/be) 61.05 +2.10 51.50 68.40 4.802 33,619 51.94 +1.97 62.20 53.51 2,324 17.202 62.60 +1.57 62.70 60.35 869 12.733 62.97 +1.42 63.00 61.20 15 1,528 53.14 +1.10 63.40 61.20 930 12.467 63.25 +0.07 64.40 63.20 43 1,506 8,917 80,965

2100 20,227 **YOURSE DATA** Open Interest and Volume data atoms for contracts traded on COMPC, NYMEX, CRT, NYCE, CARE, CSDE and IPE Crucie Oil are one day in erroses. Volume & Open Interest lipitals are for all traded exemits.

INDICES ■ Resters (Base: 18/9/31 = 100) **month ago** 1479.6 **E CRB Fotomes (9898; 1967 = 100)** Jan 27 Jan 28 securi 187.49 187.60 Ili 6802 Spot (Besc. 1970 = 100) Jen 27 133.17 Jen 25 132,17 +2,975 -420 +700 -225

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55.700 +1.575 57.100 53.800 1,299 55.925 +0.800 57.750 54.500 673 57,150 +1.100 58.850 56.050 130 58.700 +1.900 58.900 56.050 104

LONDON TRADED OPTIONS III COPPER (Grade A) LIME Jun 49 84 128 1450 1500 1550 86 94 127 May 103 76 56 May 53 76 106 E COFFEE LIFE W COCOA LIFTE

LONDON SPOT MARKETS

1050 ___ 1100 __

Promises Gasoline Gas Oil ‡ Heavy Fuel Oil Naphtital Jet Aust* 100-102 \$61-84 \$91-93 \$116-118 Bacton (Feb) Petoteat Arpes. 9.35-9.40 71) 350 EFE 重研網 Gold (per tray az)\$ Stiver (per tray az)\$ Pasinua (per tray az.) Pasiadium (per tray az.) .508.75¢ \$342.00 \$329.00 71.0c 45.00c 16.96r 245.5 Copper Land (US prod.) Tie (New York) Casse (the weight) Sheep (the weight) Pigs (the weight) 90,40p 73,28p 48,68p -0.22 Los, day sugar frami Los, day sugar (who) Berlay (Eng. feed) Make 6,5 No.3 Yello Únq £109:00 Mheat (US Dark Hor Rubber (Feb) V Rubber (Mar) V Rubber (M. RSS Not) 51.25o Coccurat Off (Philips Pains CS (Mitchings)S Copra (Philips Solyatheanne (US) Cottom (Authorité Vindent Woodhope (Philips Superi 757.50 682.50: 465.0y 152.0y -2.50 -5.0

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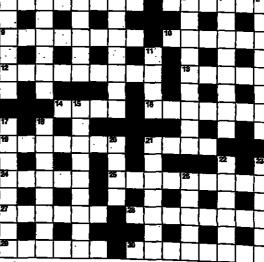
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JOTTER PAD

For solutions to today's crossword call 0891 430060.

CROSSWORD

No.9,900 Set by ARMONIE



1 The way to follow birds in TV programme (4.4) 5 Risk surrounds request for 9 The winner's first to meet a 10 Agree Bill's to get a cloth (5) 12 Simultaneously make

13 A bird in Egypt (5) 14 Take a close look at small gaol (4) 16 Singers muffed the 19 He induces sleep with mor-

24 A boom restricts river fish 26 The NCO admits fighting in (5) 25 Spirit generates light at night (9)
27 Singer allowed to keep a pub (6)

28 Goddess circumscribes a prohibition of the dance (8) 29 Creation of statue is artful Deadly connection (8) DOWN

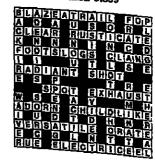
1 The way to enter vehicle showing delicacy (6) 2 The mainstay in "Rancho Notorious" (6) (5) 4 View duck's wing (7)

6 In Russia one holds money in both hands (9) Kampuchea has no textile plant (8) Order: "Sit up when eating lunch, son" (8) 11 One supports even a legendary creature (4) 15 Harridan hiding associate's food (9) amends and Issue rejection 17 She libels AA organisation

Service & Committee

18 Confine unworldly alien in the web (8) 20 Insensitive classical characentrance (7)
He induces sleep with morphine, initially, in the santer needs doctor (4) atorium (7)
21 Obstinate fellow gets the
23 Recount fully what the

> the crowd (5) Solution 9.899 -



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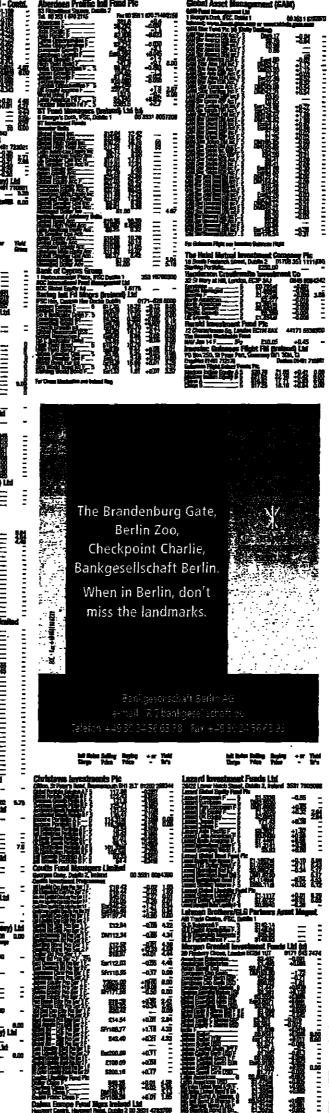
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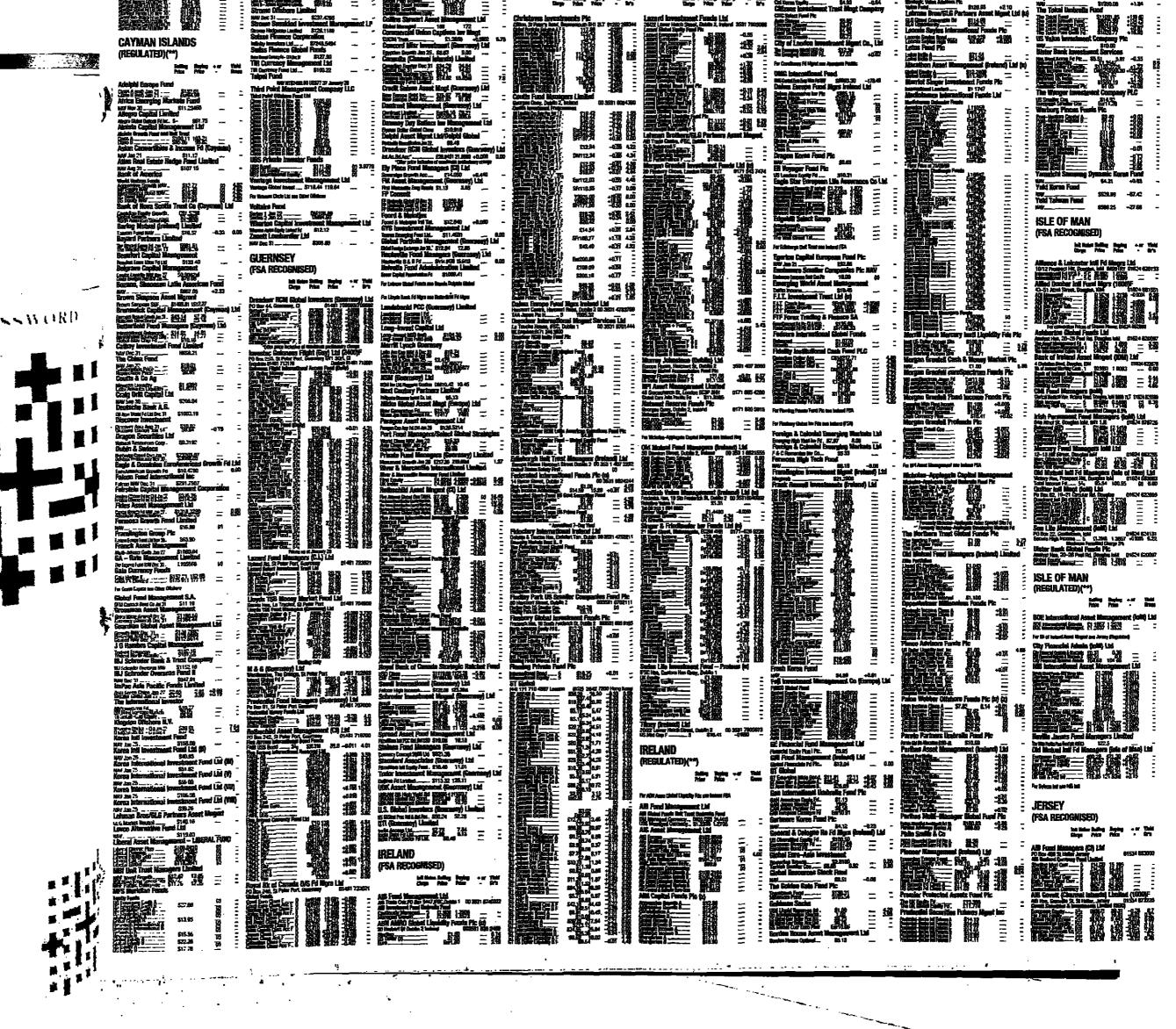
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FINANCIAL TIMES FRIDAY JANUARY 29 1999 **AND OVERSEAS** BERMUDA **GUERNSEY** (REGULATEDV** CAYMAN ISLANDS (**)(tegulated)







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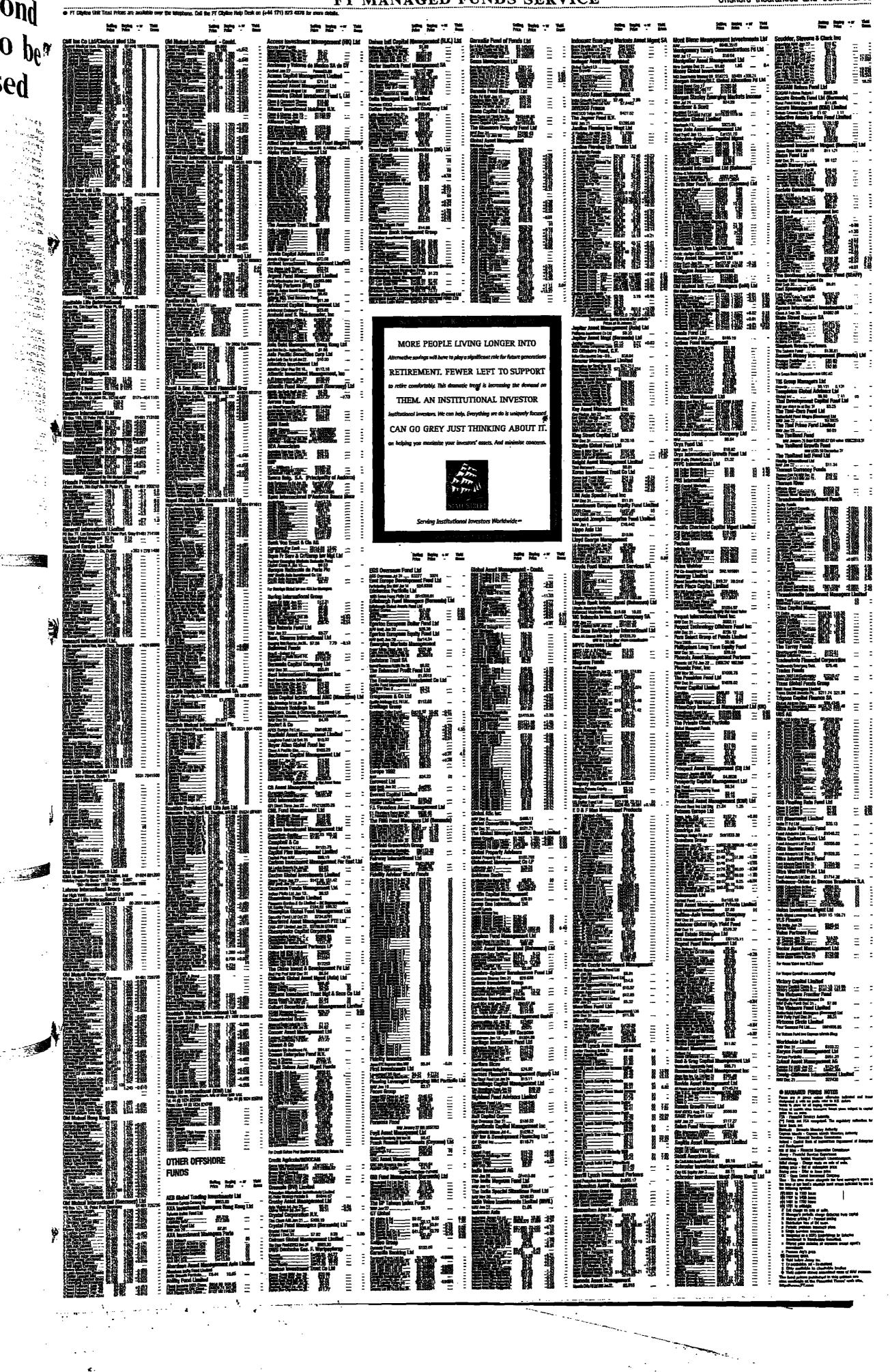


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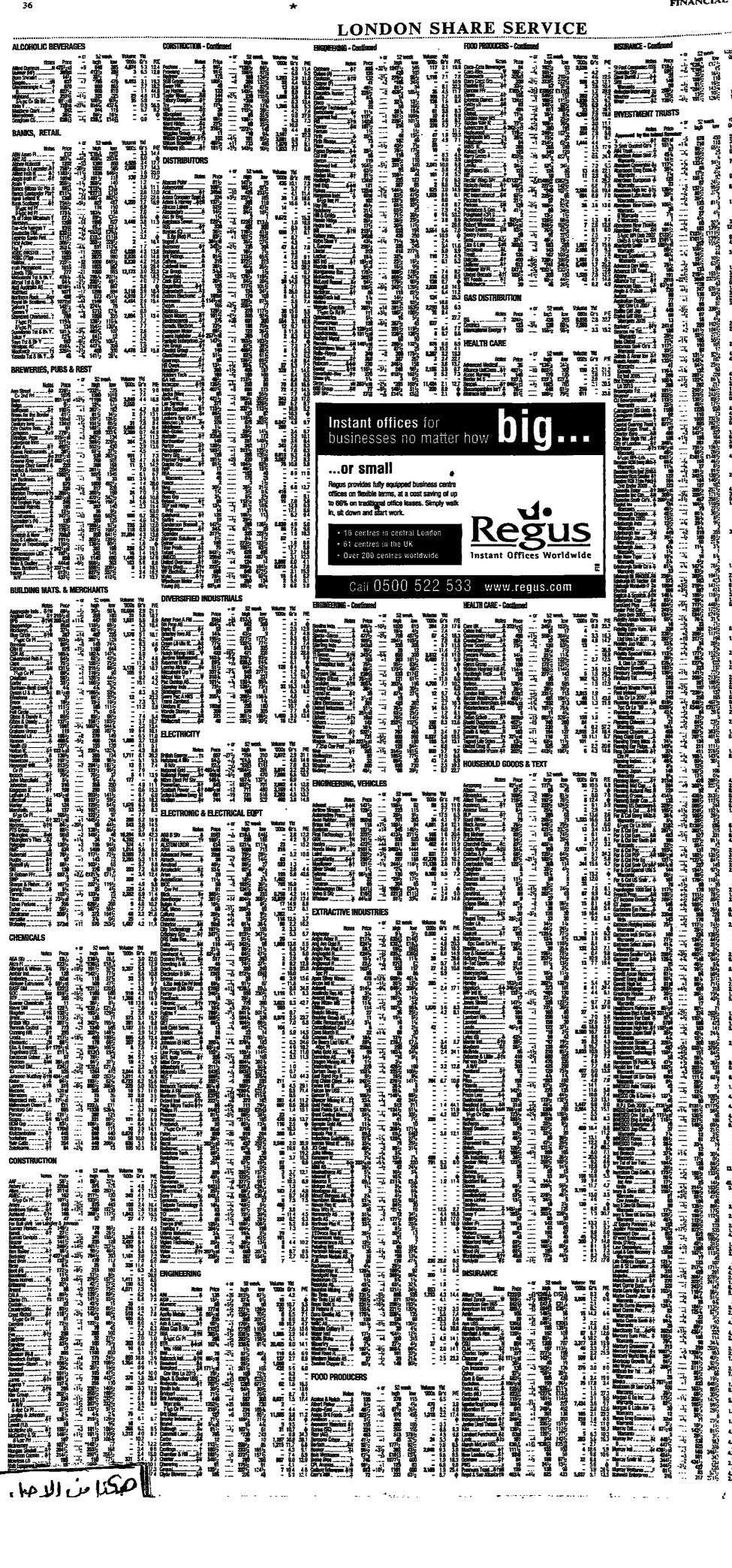
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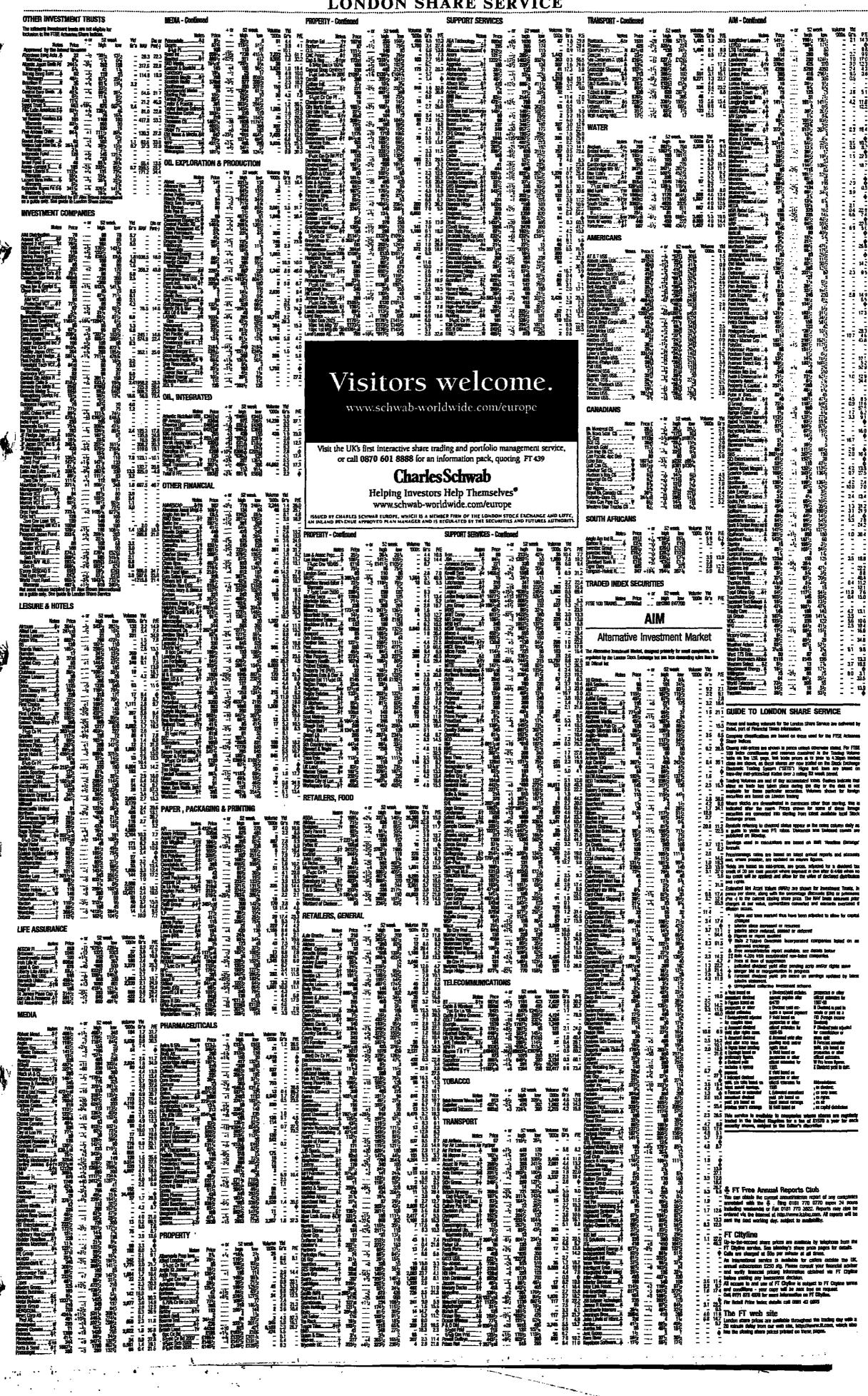
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MAL TIMES PRIDAY TANK TRY 20 log



INVESTMENT TRUSTS - CONTINUES





Swinging London leaves Footsie dealers bemused

MARKET REPORT UK Stock Market Editor

London's equity market 124 points overnight, helping detached itself from Wall to drive down the Hong Street Vesterday, reacting instantly and strongly to talk of a big sell programme late in the day that saw the FTSE 100 index swing violently to finish marginally

Dealers were mostly perplexed by London's reaction to the day's events, which, apart from a soggy performance by Wall Street over-

no real worries for markets, The Dow Jones Industrial Average provided an early scare for London, retreating

Kong and Tokyo markets. reflected Wall Street's overnight jitters and the general unease in Europe ahead of the remarks made by Alan Greenspan, chairman of the US Federal Reserve, to the Senate about prospects for

the US economy. Past comments by Mr

picked up by the markets ing markets, with their inev-and been blamed in the itable impact on UK manu-ists insisted that the intense recent past for major upsets in global stock markets.

In the event, Mr Greenspan caused few problems for Wall Street, where the Dow reflected general relief The FTSE 100 index by US investors at his remarks. Although he said he felt rampant internet stocks were "sure to fail", until the early afternoon, his words saw the Dow up almost three figures well into the US session.

> Dealers and marketmakers generally still saw the London market as vulnerable to

facturing industries.

The FTSE 100 index ended another volatile session 3.9 off at 5,872.5, having swung around in a 120-point arc. The index hit a session

low of 5,841.2, down 35.2, during the first hour's trading. and remained uncertain when it touched 5,959.8, up 83.4, as Wall Street raced

Much of the pain being felt in the market was concentrated on the banking sector, Greenspan in testimony to setbacks because of the where the big mortgage news in the manufacturing al-Mogul and TRW, topping night and a weak showing Congress have often been potential problems in emerg- lenders were always under sectors.

Best and worst performing FTSE sectors

ists insisted that the intense pressure on margins would continue.

Most of the mortgage lenders finished fractionally off their worst levels of the day, but dealers said the sector would probably suffer for its outperformance over the past few years.

Once again, the poor performances by the market's in the UK car components leaders did not filter through fully into the second and third-line issues, which were banking on more takeover a bid battle involving Feder-

sition, may have been under

pressure. Following the

interim results, analysts

were said to be increasing

their forecasts by about 6

per cent for this year to

The information technol-

messages are currently

United left on hold

citing pressure from the

being reported."

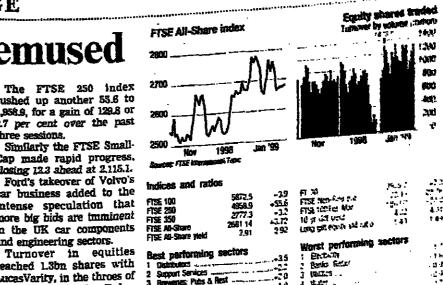
telephone group.

work was problematic.

The FTSE 250 index rushed up another 55.6 to 4,958.9, for a gain of 129.8 or 2.7 per cent over the past three sessions.

Cap made rapid progress. closing 12.3 ahead at 2.115.1. Ford's takeover of Volvo's car business added to the intense speculation that more big bids are imminent

and engineering sectors. Turnover in equities reached 1.3bn shares with being chased by speculators LucasVarity, in the throes of the list.



BT rises after sell-off

COMPANIES REPORT By Joel Kibazo, Peter John and Martin Brice

Buyers helped BT revive the quoted ex-building sociafter Wednesday's sell-off with the shares hardening a drag on the whole market. 914 to 927p. The telecoms group reports third-quarter figures next month and there have been suggestions that BT has been "talking market estimates down ahead of the figures.

According to Charterhouse Tilney, which is predicting third-quarter profits of £809m (£786m), investors studying the figures will be trying to assess the impact of "start-up losses on the associate ventures in Europe and south-east Asia [which] will be higher than expected at around £350m and there will be a continuing exceptional charge in Q3, Q4 and next year to replace some of the activities previously done for Concert by MCI".

Profit-taking towards the close saw Securicor surrender early gains to close down 1% at 588% p. The team at SG Securities believes Securicor and BT, joint owners of mobile phones operator Cellnet, are in talks about BT acquiring the 40 per cent stake held by Securicor.

In a note to clients, the team at SG said: "With Department of Trade and some new mortgages, using Industry constraints almost certainly removed. BT will market, hit an area that is complete on the Cellnet deal already facing no growth in the first half of 1999. We believe BT's chief executive with Securicor's chief execu-

tive officer, Roger Wiggs." The biggest turnover in the sector was recorded in Vodafone Group, the shares firming 6 to 188%p.

Prospects of a price war in the mortgage market sent eties tumbling and acted as Northern considering securitising sustainability of Northern

Total market ban

Rises and fells"

them to raise money in the and a margin squeeze. Northern Rock was also

is currently in negotiations affected by broker downgrades, which filtered into the market after the mortgage lender's full-year results on Tuesday.

The 1998 numbers were broadly in line with expectations, but analysts were concerned about the deceleration in lending in the second half and increased competition in the savings and mort-Rock's gage market. Some also announcement that it was expressed concern about the

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Jan 28 Jan 27 Jan 26 Jan 25

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LIFFE Equity outlone

35.0 15.9

Staggort Services 4200 4000 recent US healthcare acqui-

Rock's strategy, which relies on balance sheet growth. **HSBC** Securities cut its 1999 profit estimate to £214m from £223m, with the 2000 forecast cut by 5.5 per cent to £229m. The broker reiterated its "hold" stance but £130m, and by about 8 per

the mortgage banks remains Northern Rock was not the only casualty. Abbey National, which has fallen

warned that the outlook for cent to £160m for next.

sharply since the market noticed it had overtaken Halifax in market capitalisation, fell a further 53 to £12.02. And Halifax slid 32 to 722⅓p. The bullish Misvs trading

statement and a set of strong results prompted upgrades and saw the shares achieve one of the best performances in the FTSE 250. They rose almost 18 per cent, fuelling talk that the software group may re-enter the FTSE 100 index. At last night's close, Misvs had a market capitalisation of £3.3bn, putting it about 85th in the market by

The results served to allay fears that Misys, with its high exposure to the financial services sector and its tribution system for cable

there were also positive comments from the transport team at SG Securities. It reiterated its "buy"

stance on the stock in its annual review of the industry which was published yesterday. The stock gained 28 to 6361/sp. The appointment by Bow-

thorpe, the specialist electronics group, of Salomon Smith Barney as one of its brokers and its unveiling of plans to expand its US shareholder base prompted heavy dealings. A total of 15m went through, with the vast majority said to have gone through Salomon, as the shares rose 14 to 361%p.

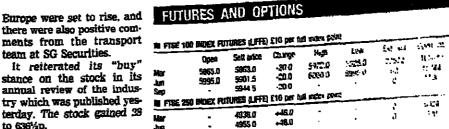
The company said it planned to issue American depositary receipts, which ogy sector faces a period of would represent the Londonlisted shares.

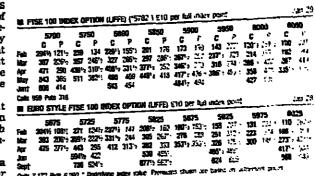
volatility, according to Gra-United News & Media ham Brown at Sutherlands. climbed 231/4 to 547p after He told clients yesterday: Merrill Lynch shifted its Visibility is becoming opaque since there is no prestance on the stock to "accucedent for the transition mulate" from "neutral", and between Y2K and Emu pro-WestLB Panmure said jects, and mixed trading

Bus and truck maker Henlys was excited by news that Ford of the US was buying However, he retains his the car operations of Volvo. positive long-term stance on Henlys, which touched 606p last year, rose 44 to 4721/2p. In October, it lost the bid ding war for Dennis to fellow United Utilities slipped vehicle engineer Mayflower.

61/sp to 7661/sp with dealers which lost 11/2 to 1311/2p. Lucas Varity remained at a imminent flotation of United premium to the cash bid from TRW of the US, sug-Pan-European Communicagesting investors expect tions, the cable television to another Federal-Mogul offer or a new bidder to enter the There have been hopes that United Utilities will be fight. LucasVarity accepted able to use its electricity disthe 288p cash bid from TRW. but the shares rose 7 to systems. However, as UPC 290%p, a whisker away from began its share listing road- an all-time high of 293p. Fedshow in the knowledge that eral-Mogul said it might

Microsoft is to take a \$300m make a formal offer. stake, it was apparently Hotels and gaming group arguing that distribution Ladbroke improved 4% to with several brokers including Sutherlands said to be positive on the stock. Thistle



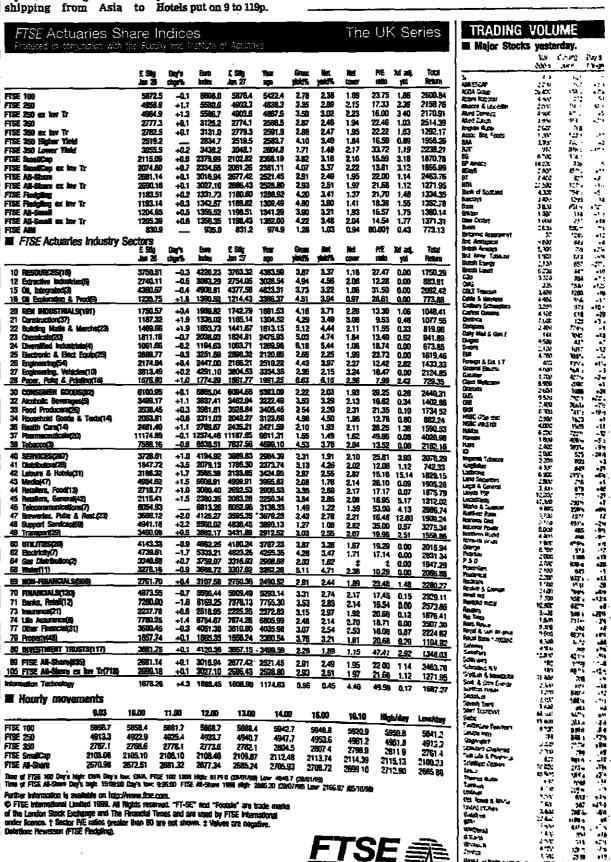


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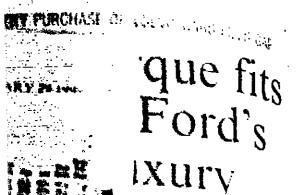
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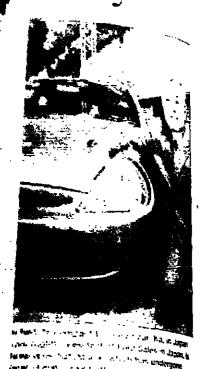
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			-	. ,	, 1461 20		ings 4: Ups 5) tobox			200 — — — —		Thursday		Day's Thursday change	Close:	Day's Day's tenge chys %	Thursday	Stocks traded	Close Day's price charge	Toursday	price plan	s Day's pe chige %
M RAT	108				Micuit 15 CiscoSyn 16	1,437,300 174 +	Sij tellese Sij SestanCor Sij Premiek Sij Anadyka 294 Anadyka	599 +2 95 113% +2 10% +2 16% +2	% +28.2 1	180		Dt. Sk. Lutern Bayer Dt. Tol.	478,942 47.52 408,052 18.4 403,931 92.7	+7.572 Ups +0.1 Dt Tel -0.05 Seption	244.5	+23 +84 +145 +63	(ucadanty Teaco Shell	47.270,400 45,902,580 44,062,040	290% +7 185% +3% 307% +%	Upu Systems int Comment Pier	28% +8% 87% +21% 84% +28%	+17.4 +12.4
J	ones ind. Div. Yi	Jan 22 skoi 1.67 Jan 20	1.84	en 8 Yeerago 1.58 1.79 an 6 Yearago	Mariant 10 Sporient 10	1,920,580 112 - 1,562,600 18 -	1% Comme 14 EarthStraff	124 -4 294 -4 104 -1		180 <u></u>	· · · · · · · · · · · · · · · · · · ·	Dr. (el. Dreinico Siercono	409,052 18 4 400,931 32,7 353,941 38,1 372,822 90,4 361,347 60,9 266,940 32,55	-0.1 Dr Tel -0.05 Scory -2.3 Sed Wi. +0.2 Dynam +0.1 Donam +0.45 SSLCzr	278	+0.75 +6 +12 +3.8 +3.2 +3.5	Freepages Scottlister ASDA	34,496,620 31,953,970 26,394,820	28 +3 708 -15 158's +2's	Morestag Unidade dirappa ASM	1894	•27.8 •22.7
SAP	ind, Div. yield ind, P/E ratio	1.12 38.80	1.14	an 6 Yearago 1.11 1.47 9.11 26.31	Desiring 9	0,100,409 78% + ,300,500 33% + ,071,500 26¶ +	21 Exceller 21 Maples 22 Infras	10% -1 118 -1	i -13.1 K -12.2		2 25 26 27 28 Jany 1999	BASE Congratik VW	28,910 32.55 207,025 28 193,065 67.7	+0.2 Hodens	50.5 27	-3 -38 -15 -53	Vocatione BTR Bowthorne		11881: +6	Bargour Ingex Dougle Sand	32714 +60 38 -141	+22.4 3 -27.5
	EX FUTUR											RWE	192,858 41.9	-0.9 Maler	ES1	-35 -51	3P Associ	14,230,450	B36 -5	Dragon Cil	2019 -314	-26-8
	Ci	en Sea pri	ta Change	High	Low 8	Est. vol. Open	jrt. III CHC-4	Op 8 (200 x tades)	en Sett Price	Change	High	Low	Est. vol. Op	ea int.		Open Se	ti Price	Change	High	Low 1	st vol.	Open mt.
Water :	1348	50 1257.1 - 1250.6		1258.50	1243,00	95,998 391, 335 7/		4053 4060			4281.5 4240.0	4027.0 4040.0	145,250 85,528	70,257 Feb 64,966 Mar			719.90 711.00	+15.0	729.00 711,00	719.93 711.00	16,741 3	162,075 974
ME Wilde	225 Op	en <u>Seit pri</u> c	change	High 14540.0		<u>35. vol. Open</u> 25,814 193,	ITAL DAX	4872		+88.5	B153.5	4969.0	53,508 10	9 EURE	<u>' </u>			+145.0	7205.0		21,468	122,687
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Argundin	Buneral	15865.B2 1	673.88 15355.38	23486-50 23/3/98	12303-10 10/9/	98 4.59 10.1		BSE Sees. Case 500		3.96 (d)	4288.98 21/4/98 815.82 21/4/58	2764.18 20/11 557.88 20/1		Portugui ra	PSI 20	11629.72	11623.18 1	1759,48 142	3.09 22/4/98	811451 2109		
Agirda Lauten i	All Ordinaries All Mining Industrials and bands	585.0	2851.4 (d 571.3 (d	2897-30 771/69 713.10 23/4/98 1696an report. Howeve	2458-29 1/8/9 498-30 31/8/	96	indents.	Sicula Costs	407.25 41	0.25 398.15	554.10 2/298	25683 21/9	796 249 1	9.7 Ended a ve	RTS Lable seption with a	54.48 ondest 1000aa.	55,02	55.54 40	11.61 5/1/98	3653 5109		me.
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	Shanghal 8 Shanghan B	25.15 67.06	25.21 25.01		25.01 28/1/s		_ ==	ACTION SE	(M) 17	5.54 179.61	184,52 17/8,56	188,45 18/11	1/98 ra r		ng held shares back	<u> </u>						20.3
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WORLD OVERVIEW

Fresh transatlantic takeover activity and helpful US eco-night market weakness, nomic statistics gave a posi- where Wall Street's lower tive tone to stock markets close on Wednesday transyesterday despite a weak lated into falls in many start to the day in Asia, Asian markets, cancelling writes Martin Dickson.

Three large takeover deals day. were launched by US compafor the car manufacturing operations of Volvo of Sweden; by TRW for Lucas-

internet group Yahool to buy though Korea posted gains. US Federal Reserve, but his ment that some small stocks helped by dema online community GeoCities. These helped dispel overthe gains of the previous

Worst hit was Hong Kong. nies: an offer by Ford Motor down 3.7 per cent, with banking stocks recording the

sharpest falls.

arm and Lucas Varity turned round sentiment as the as Renault and Peugeot, rose

Frankfurt all closed up.

Markets on both sides of tions ahead of congressional stocks were "sure to fail" Tokyo, Singapore and testimony by Mr Alan but high-tech optimists

The bids for Volvo's car remarks on the economy would succeed and might were relatively anodyne.

Mr Greenspan noted the prices. European trading day began. US could not be an oasis of European motor stocks, such prosperity if the rest of world was in serious trouble, strongly, while the Swedish but so far it had managed to quarterly US results and market moved sharply do so and he was not aware higher. London, Paris and of evidence that was about the change.

He did acknowledge that the Atlantic remained cau- the vast majority of internet per cent in the third quarter. Greenspan, chairman of the seized on his further com-

justify even higher stock Sentiment on both sides of

the Atlantic was helped by some better-than-expected good US employment costs data, showing a 0.7 per cent rise in the fourth quarter of last year, down from 1.0 Orders for expensive US

manufactured goods were up

trial machinery.
All this helped the dollar

the yen.

to rise sharply against the euro and modestly against

However, some analysts expressed anxiety about the bullish tone of the market. They remained concerned at Brazil's ability to reach agreement on restructuring the country's debt and growing signs of political conflict

Vilniaus pays court to Hermis

The usually lethargic Vilnius bourse has had an eventful couple of weeks as rumours spread that a foreign suitor was about to buy a strategic stake in Hermis bank, Lithuania's second largest commercial bank.

EMERGING MARKET FOCUS

Shares in Hermis rose 35 per cent last week, but activity in the stock has since ubsided as speculation lost The bourse has been

steadily regaining ground since the beginning of December, following a steep decline that began in mid-1998. The Litin index closed at 525.24 yesterday, still a far cry from the mid-700 levels seen at mid-year.

The beginning of the recovery can be traced to the announcement last November that Skandinaviska Enskilda Banken of Sweden was to acquire a 32 per cent stake in Vilnians Bank. The Litin index then stood at about 440.

Hermis conceded it was in talks with a strategic investor, but would not comment on potential parmers. Previous suitors include Merita bank of Finland and Estonia's Hansabank, while recent rumours centred on Nord-deutsche LandeSbank. Local competitor Vilniaus bank. Lithuania's largest commer-

cial bank, has been pursuing Hermis since last spring. Vilniaus holds a stake of about 8.5 per cent in Hermis, but its merger proposal bas languished since last April on a desk in Lithuania's central bank, where any deal

has to be cleared. The country's competition authority has already given the merger a green light, and the central bank said this week it would reach a deci-

bank and Agriculture bank.

For Vliniaus, the takeover of Hermis is an opportunity to maintain its current rate of growth and brace itself for npetition from the foreign hanks that are likely to enter the local market.

"We are too small a bank to compete in the central European market, says Raimondas Kutra, deputy chairman of Vilnians bank, "and the best way forward is to buy a private bank."

Augustas Staniulis, analyst with Hansabank Markets, said: "For a reasonable price, it [Hermis] is a good acquisition target in the Bal-

But Hermis shares were overvalued at current level-A reasonable valuation would be between 70 and 80 litas, Mr Staniulis says. Shares in Hermis were trading at 96.20 yesterday.

Hermis has its problems. Ifnlike its competitors, its client base is thought to be exposed to Russia; its financial indicators are weaker than those of Vilniaus, and had moved to market its 20m litas (\$5m) worth of Russian Eurobonds. The level of its provisions is not known.

But the strength of a merged bank would raise strong second thoughts in any foreign bank interested in buying Agriculture bank or Savings bank.

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Yahoo! and Ford cheer **US** stocks

AMERICAS

Investors returned to US shares after Wednesday's the rebound after recent sell-off, cheered by the latest takeover plans in the automotive and internet sectors,

By early afternoon, the Dow Jones Industrial Average had gained 86.51, a 0.94 per cent increase, to 9,286.74. The broader market indices were even more robust, with the Standard & Poor's 500 index climbing 19.31 or 1.55

But the best of the early trading was reserved for high-tech stocks, which rebounded strongly from the losses run up on Wednesday. The Nasdaq composite index gained more than 2 per cent or 53.06 to 2,460.20. The Russell 2000 index of smallcompany shares gained 2.73

"It's a volatile market kooking for direction," said Warren Epstein, director of trading at Richard Rosen-With the earnings season behind us, the market will start to focus on other areas such as Brazil."

Auto shares were higher after Ford Motor announced automotive business. Daim-\$1032 while Ford climbed

Yahoo!'s takeover of Geo-Cities set off a buying wave, with the internet index of Exchange climbing more than 4 per cent to 778.68.

gained \$13% to \$349%. Banking shares were on weakness, with BankAmerica up \$2% to \$64# and J.P. Morgan gaining \$2 to \$103. But First Union continued to sell off after recent downgrades by analysts, los-ing another \$% at \$51%.

Intel, the leading semiconductor producer, was \$4% higher to \$137% after the company announced a stock split. Computer makers also gained ground with Dell Computer up \$3% to \$92 and Gateway up \$2% to \$69%. Among Dow shares, AT&T

was \$3\ higher at \$89%, while tobacco and foods company Philip Morris climbed \$14 to \$47%. US Treasury prices were

mixed after the release of a better-than-expected employment cost index report. By early afternoon, the 30-year bond was & higher at 101 &, yielding 5.120 per cent.

TORONTO edged back from its best levels at midblatt & Co in New York. session but remained in positive territory on advances in precious and base metals, as well as high-tech shares.

The TSE-300 composite index was 37.39 higher at 6,689.1, off an early 6,698.47, its acquisition of Volvo's in volume of 30.8m shares. The heavyweight financial lerChrysler gained \$14 to services sub-group was slightly lower at midday, but advances made by Royal Bank, up 65 cents at C\$77,

provided support. Among actively traded stocks. Northern Telecom American Stock was C\$2 higher at C\$94.95 and Biovail Corp International was C\$1.35 ahead at

GeoCities surged 49 per cent C\$64.65. Mexico City takes new

MEXICO CITY took its cue from strength in Brazilian and US markets to post solid gains in early trade.

An upgrade by Merrill Lynch of several bank stocks lifted financials. By midsesor 1.8 per cent higher at

Merrill said it expected a number of Mexican banks to the fourth quarter of 1998 on Merval index was 4.84 higher

operating earnings as well as for market-related income. upgraded, Banacci rose 8 per cent to 10.70 pesos, Bancomer put on 5.7 per cent to 2.02 pesos and Banorte added

boosted by morning gains in neighbouring markets and selective buying by investors coming off the sidelines. The

strength from upgrade Among the banks it

4 per cent to 7.38 peacs. BUENOS AIRES Was

Confirmation that Ford was to pay SKr50bn for Volvo's car business, leaving the Swedish group free to concentrate on the development of its lucrative commercial

STOCKHOLM higher. Volvo shot up to an early SKr231, but pulled back to close just SKr0.50 higher at SKr211 on the view it would be made to pay a high price for any company that it targeted for a takeover. Truck and husmaker

Scapia, in which Volvo bought a 13 per cent stake earlier this month, jumped to a day's high of SKr263. Analysts were divided, however, on whether Volvo would still try to go ahead with its stated intention of buying its Swedish rival to

The FTSE Eurotop 300 Index 16.66 or 1.40 per cent to 1,207.78. See Euro Prices page. create the world's second largest truckmaker. By the

close, Scania was just

SKr4.50 higher at SKr240.50. Telecoms group Ericsson shot up 8.9 per cent on relief that 1998 results were largely in line with expectations. It rose SKr17.50 to SKr210 as the company launched a new line of

By the close, the general index was 61.61 higher at 3,288.30, off a high of 3,327.47. PARIS rose 101.5 to 4.199.67 on the CAC 40 index. for too sector honours in a ber's dramatic profits warnmarket partly boosted by technical activity ahead of off €3.60 at €96.50.

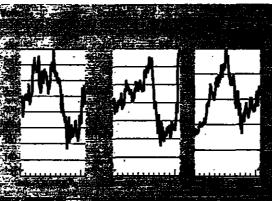
today's futures expiry. Both Renault and Pe bounced on the news that Ford was snapping up Volvo's car division. The former jumped €3.27 or 7.8 per cent at €45.13 amid talk of some form of consolidation within 5,080.93. the French car sector. Peug-

eot gained €6 at €145.50. Banks were active following a statement about Brazilian exposure from Société Générale. The bank put this at \$588m, excluding trade finance, whereas most ana-

Johannesburg was lifted by

a cut in domestic interest

SOUTH AFRICA



Stockholm moves up a gear

lysts had pencilled a figure

The news helped lift some of the Latin American gloom shares in recent months. SocGen rose €8 or 5.2 per cent at €161, Paribas gained €3 at €86 and BNP added

boost by positive results and trading statement from Rhône-Poulenc, which sent the shares up 9.2 per cent or €3.80 at €45.30. Saint Gobain rose €9.80 or 8.3 per cent to €128.8 ahead of results due after market hours. Danone remained on most

investors' buy lists, adding €12 at €240.5 for a two-day gain of almost 14 per cent following Wednesday's numbers from the food leader. The day's black spot was

electronics and defence conglomerate Alcatel. The shares, which stood at the equivalent of €217 in July. Motors and banks vied for two months prior to Septeming from the group, ended

FRANKFURT after a day in which Deutsche Telekom and MAN both surged on merger speculafinished 42.72 higher at

Telekom jumped €1.85 to €87.85 as the market heard rumours that the company was seeking to make an acquisition to lift its business as it faced up to a pricecutting war with rivals. On Wednesday, Telekom

four-and-a-half month low.

and financials 199.7 to

8,942.8. Golds, however, lost

The overall index put on

Jo'burg rises on rate cut hope

a surge in financials as 57.8 to 5.766.8 while industri-

expectations again grew for als climbed 72.9 to 6,678.8

on both local and long-

distance domestic calls. It declined to comment on the that has hung over bank rumour which some traders said was a revival of a story that the company might make a bid for Cable and Wireless of the UK. MAN soared €12 or 5.7 per Cyclicals were given a cent to €224 as it became

> lation in the wake of the Ford-Volvo link-up. Volvo and VW had both been mentioned as potential suitors. Analysts said that the Ford-Volvo deal was now likely to shift investors' attention onto BMW which, along with Voivo, had been

embroiled in takeover specu-

candidate. However, BMW was flat at €610 while DaimlerChrysler edged 40 cents higher to €90.40 and VW eased 51 cents to \$67.50.

increase since 1995. Software group SAP lost €11.70 to €344.50 as Goldman

Sachs cut its recommendation on the stock, saying the shares could be vulnerable over the next six months as mid-year conditions were likely to be challenging.

AMSTERDAM ended within one point of its session high, the AEX finishing

Deutsche Bank was marked €1.81 higher at

647.41 in response to news of

a 22 per cent rise in the pro-

posed 1998 dividend, the first

7.39 higher at 588.98. Akzo Nobel rose €1.75 or 5.5 per cent to €83.85 as sentiment swung back in favour of selected cyclicals. KLM, brushing aside potential competition from the looming Air France flota-

tion and downbeat trading. news from the airline sector, rose 45 cents to €23.25. Shipping leader Nedlloyd was a strong market following a press report of freight rate increases for westbound Asia-Europe container trade. The shares, which stood at the equivalent of €24.46 10

months ago, jumped 40 cents or 4 per cent to €10.35. Financials came back into favour. Aegon rose €1.60 to €98.25 and ING added €1.55 considered a prime takeover at €52.50. ABN Amro gained 50 cents to €17.40 in modest volume, trading 6.6m shares.

> Written and edited by Mich zo and Paul Gregan

sion by the end of March. Hermis is a tasty target. It is one of two leading commercial banks in a sector where 85 per cent of assets are controlled by only four banks: Vilniaus, Hermis, and the state-owned Savings



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Gold stocks, by contrast, 32.7 to 905.1, the lowest level were weighed down by the for more than three weeks. Tokyo three-day rally

ASIA PACIFIC

Shares in TOKYO called a halt to a three-day-rally that had pushed the market 300 points higher, writes Gillian

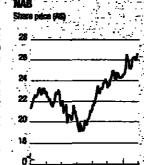
closed 107.74 lower at 14,342.32 after trading between 14.331.77 and 14,522.33. The Nikkei 300 closed 1.19 lower at 221.12, while the Topix index lost 5.15 at 1,110.33.

Volume on the main section fell to 361.13m shares from Wednesday's 416.84m. Losers outnumbered gainers by 711 stocks to 421, while 162 stocks closed unchanged.

The fall was partly blamed Asian stock markets. However, another key factor was that many corporations are now seeking to unwind cross shareholdings ahead of the fiscal year-end on March 31.

This pressure means that companies are likely to seize any sign of an upturn in the market to sell these sharemany analysts suspect the around 14,500 in the coming

The ruling Liberal Democratic party is now considering measures to avert this impact by establishing an institution to unwind cross



ing into the open market. However, these discussions are only at a prelimi-

nary stage, and some observers suspect the plans have been designed to boost sentiment rather than be enacted. SEOUL stayed firm, adding a further 6.27 to 571.47 on the Kospi index for a two-day

gain of 7.5 per cent. Foreign investors were active as the talk of an early holdings. Consequently, cut for interest rates, which did so much to boost sentimarket will be capped at ment on Wednesday, contin-

ued to do the rounds. Blue chips remained the focus. Samsung Electronics rose Won1,100 to 92,400; Korea Electric gained Won50

SYDNEY mushed ahead fol-

at Won33.550.

leading bank and positive inflation data. At the close, the All Ordinaries index was up 24.9 at 2,876.3.

Inflation for December came in at a restrained 0.5 per cent which, coupled with Wednesday's late news of bumper results from NAB, Australia's biggest bank, sparked steady buying of blue chips. NAB rose 47 cents to A\$26.58 and Commonwealth advanced 51 cents to A\$23.55.

Elsewhere, News Corp gained 32 cents to A\$11.17, while in telecoms Telco Telstra rose 13 cents to A\$8.58 after reaching a record intraday peak of A\$8.62. HONG KONG dropped 3.7

blue-chip profits and redchip profit-taking. H shares took over the market again as the January Hang Seng index futures contract An overnight tumble on Wall Street added to nega-

tive sentiment, and the Hang

Seng index finished 358.70

per cent on worries about

lower at 9,360.96. Turnover edged up to HK\$4.9bn compared with Wednesday's HK\$4.6bn when the index rose 2.2 per cent. Among blue chips, HSBC fell HK\$6.50 to HK\$188.50 and Hang Seng Bank lost HK\$3.75 to HK\$63.75.

Debt-related caution took over trading of red chips and H shares. The red-chin Hang Seng China-Affiliated Corporations index fell 3.7 per cent, while the H-share Hang Seng Chinese Enterprises index dipped 1.2 per cent. SINGAPORE was lower in thin, dull trade that left the

2.2 per cent lower at 1,426.02, after two days of rises. Traders noted that the market was uninspired by a good set of results from ST Engineering. ST shares were lower at midday, when trading was suspended ahead of the results. They fell 8 cents

Straits Times index 31.42 or

to S\$1.58. KUALA LUMPUR was guessing over the government's expected move to alter capital controls.

The composite index lost 9.73 or 1.6 per cent to 595.45. Government officials said that Mahathir Mohamad, the prime minister, was considering two variations on the imposition of an exit tax on foreign funds.

Some analysts said news that the judge in the trial of Anwar Ibrahim, Malaysia's sacked finance minister. might decide tomorrow whether to dismiss four corruption charges also rattled some investors on fears of

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NIHOUS

In contrast, Merrill pipped

skew the league tables. as the share support under-Hugh Scott-Barrett, chief taken by Hong Kong authoriexecutive of ABN Amro Corties and more radical meaporate Finance, argues that sures to insulate the ransactions in the \$1bn- Malaysian economy from iibn range, sometimes even under Jibn, are at least as have achieved their goal of attractive as the huge block- achieving stability. ouster deals that are much more time-consuming in M&A activity as the year terms of resources and wears on may turn out to be

GLOBAL INVESTMENT BANKING

Annual report

Dizzy ride promises fresh test of nerves

The recent rush of takeover activity suggests that M&A will continue to dominate the headlines, writes Clay Harris, Banking Correspondent

investment bankers whose livelihoods depend on them, exhibited a remarkable resilience in the first big challenge of 1999 - Brazil's decision to float the real.

But this year promises another test of nerves. Prospects have rarely looked so rosy, yet the recent dizzy ride which for once merits comparison to a rollercoaster leaves many apprehensive about what lies around the next curve.

Throughout the tense final months of 1998 Brazil had overshadowed markets bufleted for a year by ill winds From Asia, then blown off their feet by Russia's default and the glimpse of collapse provided by the rescue of the US hedge fund Long-Term Capital Management. Investment banking activ-

ity, in all its manifestations. was prostrate for several weeks, sheltering from what knockout blow from Brazil. Merger and acquisition

unseasonal hibernation, with a few notable exceptions such as British Petrowith Amoco.

11.

7.70

ity, narrowly defined as the SFr984m (\$715m), and chairliquid US treasuries, left man Mathis Cabiallavetta other markets, especially and three other senior execu-Europe's high-hopes high- tives their jobs. yield sector, high and dry. Initial public offerings simi- spasm of Swiss soul-search-

larly took a breather. written off as hopeless but was safe in the UBS family. containable, Europe and the US took up where they had

The value of completed M&A deals hit a record, fall-

'Skies suddenly cleared after what

was seen as a

positive result in Brazil's election'

ing just short of \$2,100bn in 1998. The restructuring of global sectors accelerated, with Exxon and Mobil following the BP-Amoco lead and Astra and Zeneca getting together in pharmaceuticals, followed this month by Vodafone winning the battle for US wireless coun-

terpart AirTouch. markets, while equities in more senior executives, the US have been buoyed by internet mania and Europe mainly sees only good prospects in the introduction of the euro. "In theory it is an investment banker's dream,' savs Guv Dawson, Merrill Lynch's co-head of European investment banking.

The recent rush of takeover activity suggests M&A will continue to dominate the headlines. Worldwide, the big three - Goldman Sachs, Merrill Lynch and Morgan Stanley Dean Witter continued to pull away from the pack. Each advised

on deals accounting for more than a quarter of total value. Goldman was most balanced between the two main markets. Its second place in both was sufficient to take the top prize worldwide. Morgan Stanley, with a commanding 33 per cent share in Europe, saw its US share fall to 24.5 per cent.

Goldman in the US but was sense of recovery. Some forplaced only seventh in eign bankers grudgingly con-Europe, albeit a considerable cede - "so far it has recovery from 15th in 1997. worked", says one - that

World markets, and the require greater regulatory trepidation about what hap-BCTUUTINV.

Richard Sapp. Goldman Sachs' head of M&A for Europe, agrees that deals in that range give the tone of the market. He suspects that much of the late 1998 flood of transactions was "water behind the dam", but there continued to be a benign economic climate in Europe and the US and clear impetus for consolidation. At Lehman Brothers,

which recovered lost ground in M&A league tables in 1998, Bertil Rydevik, co-head of European investment banking and M&A, argues that market comment dwells too much on short term prospects. But "big strategic transactions don't react to quick windshifts", he says. Despite the recovery, some

things have changed. Foremost is the attitude towards risk. Above all, says Mr Scott-Barrett: "Risk appemany feared would be a tites will be much more cautious." Russia and LTCM brought the realisation that activity, on course for a risk models were inaderecord year, curled up for an quate, and so in many cases were controls. Proprietary trading was scaled back by many institutions. Union leum's mid-crisis merger Bank of Switzerland's dalliance with LTCM cost share-In bonds the rush to qual- holders of the new UBS

It even prompted a brief ing about whether UBS Then skies suddenly ought to be exposed to cleared after what was seen investment banking at all. as a positive result in Bra- Warburg Dillon Read soon zil's election. With calm got assurances, if that was returning to Asia and Russia what it was seeking, that it what it was seeking, that it

Barclays Capital, the slimmed-down debt markets specialist which represented the UK bank's own widely applauded effort to to reduce its exposure to investment banking, had unwelcome surprises from both Russia and LTCM. While not leading directly to the sudden exit of Martin Taylor as chief executive, the setbacks contributed to the bank's cri-

sis of confidence. Another "lasting" change, at least in the time horizons of investment bankers, is the damage done to emerging

knock-on effects. Mr Scott-Barrett says many fixed income departments had been kept affoat by emerging markets debt which was perceived to be low risk, high return.

M&A also benefited directly from the trading boom in debt and equity. Liquidity returned to bond Bonus pools, especially for depend on the results of all departments. M&A depart ments are resource-intensive, so increasingly will have to show their worth. Apart from the heavy job cuts among emerging markets specialists, there has

been a general drift down in employment. In London, one recruitment specialist estimates that 10,000 to 12,000 people have lost investment banking jobs, a tenth of the total, but many have found new positions. Merrill Lynch's public

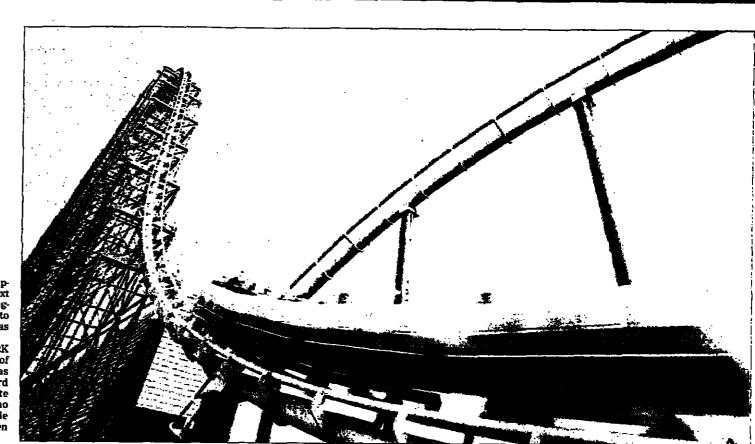
announcement of a 5 per cent cut in jobs remains the exception. Others have cut piecemeal, perhaps by no less, but minimised publicity. "European banks are much more concerned about overall costs coming down instead of focusing just on the number of heads," says Rory Tapner, WDR's head of equity capital markets.

In Asia there is a cautious Huge deals can tend to market interventions such global capitalism appear to

The biggest dampener on

pens just after midnight next January 1. Mr Tapner suggests few buyers will want to take on new acquisitions as Y2K approaches.

Mr Sapp suspects Y2K fears may affect timing of deals. Apprehension has been spotted by Bernard Taylor, head of corporate finance at Flemings, who says: "I have seen people contemplate things and then decide not to do it now.





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Pipeline of pending deals is full

The new single currency plays only a supporting role to deeper. trends shaping the corporate restructuring of Europe

European mergers and European market." acquisitions, despite twists and turns along the way. region are expecting much

more of the same in 1999. Bank after bank reports its "pipeline" of pending deals more full than ever, And, although the euro has grabbed the spotlight in recent months, most M&A advisers see the new single currency in a supporting unthinkable even nine role to much deeper trends shaping the corporate restructuring of Europe.

Michael Zaoui, co-head of M&A at Morgan Stanley Dean Witter, the leading adviser in Europe in 1998. sees three factors driving takeover activity - the favourable environment created by the strength of underlying equity and capital markets, the haste need for consolidation strice there have been few truly pan-European combinations so far and the emergence of strong deal culture.

"Europe is a very difficult place," says Mr Zaoui, "Strategic deals are welcomed by the market as a way to make share prices progress faster and to improve growth pros-

Ron Freeman, Salomon Smith Barney's co-chief executive for Europe, agrees: "Everywhere in Europe you feel a push for more earnings growth. Earnings suddenly matter.

Recent falls in interest costs are comparable to Bankers Trust. many companies' pre-tax margins, Mr Freeman says, creating a "tremendous opportunity to effect structural change and get earnings growth and returns more competitive with the

Noting that the value of mally more than twice the size of that in Europe, Klaus "I think that relationship

GARANTI BANK Turker

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But activity is by no means limited to varilla off industrial holdings, as announced by Deutsche and Dresdner banks, or to undertake radical restructuring, as planned by Siemens, is breaking new ground.

Mr Diederichs says: "What Siemens did three months unattractively dilutive to ago would have been totally

But what many bankers had found perfectly thinkable all year - a big crossborder European merger in their own sector - failed to emerge despite expectations in the wake of the Union Bank of Switzerland-Swiss Bank Corporation deal

Cross-border deals have heen limited to regional linkups such as the Finnish-Swedish MeritaNordbanken and Den Danske Bank's foray into Norway to buy Fokus Bank, which waits Oslo's approval. In contrast, ABN Amro

found itself too foreign even for its near neighbours in Banque, who preferred take-over by Belgian-Dutch rival Fortis. What was lacking was a transforming merger within the core of the new euro zone. Deutsche Bank, a leading candidate to participate in such a merger, talked "Europe first" but instead spent \$9.7bn of its money on

Advisers in the sector are deeply divided over whether this particular dog will bark in 1999. Some maintain that the big merger will come this year. Others expect a further period of domestic consolidation like that seen Banco Santander and Banco Central Hispano is evidence

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investors in US and Europe have been doing lately. Blease contact Mr. Murat Mergin, Senior Vice President, Research and Investor Relations at

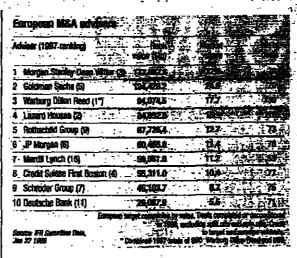
After a record year for will change in favour of the United Kingdom may hold the key, but there are huge questions in each country. The game plan in Paris for investment bankers in the M&A. The intention to hive the privatisation of Credit Lyonnais appears to make radical consolidation less rather than more likely.

British banks, meanwhile, are hobbled by their own profitability, which makes almost any takeover look institutional investors with short-term views of shareof Barclays' chief executive Martin Taylor, who was exploring European options before his sudden exit. appears to make an imaginative leap of faith even less likely. Many expect UK banks to remain on the sidelines until the country sorts out its future relationship with the euro.

Charles Packshaw, a managing director at Lazard Brothers, is circumspect about the British M&A outlook in general. Noting "a lot of M&A activity is confidence-driven", he will be watching closely to see how the economy develops in the first quarter.

Europe-wide, Hugh Scott-Barrett, chief executive of ABN Amro Corporate Finance, says: "We see activity being sustained at a level disproportionate to the time in the cycle we seem to be entering." He sees cross-border activity spreading to sectors such as retailing, transnort and building products. It is in cross-border deals

that Mr Scott-Barrett to make itself felt. The increased willingness of institutions to take euro-denominated shares as they broaden their horizons would underpin M&A activin Italy and Bavaria. The ity, enhancing the ability to US merger activity is nor- \$31.8bn Spanish merger execute a cross-border announced two weeks ago by merger. But this factor would be primarily an enabler. Deals would continue to be driven by industrial Banks in France and the



US M&A by William Lewis in New York

Year of the mega-deal for Wall Street bankers

Advisers can still scarcely believe how buoyant the market was in 1998 with the value of deals up 54 per cent from 1997

so far for Wall Street's mergers and acquisitions bankers. Globally, the value of all transactions announced reached no less than \$2,581bn, up 54 per cent from the \$1.676bn announced in 1997, in the US, according to IFR Securities Data, the provider of merger and financing information, domestic announced M&A transactions exceeded \$1.620bn.

from more than 11,400 deals. "The year we have just had, whatever superlative you want to use, was wonderful," says Steven Koch, co-head of M&A at Credit Suisse First Boston.

"We are moving to a world where we are going to have a steady level of activity. There is no going back to an era when M&A was not a central element of a company's strategic development,"

Goldman Sachs was the leading financial adviser worldwide. It advised on announced deals worth \$960bn, giving it a market share of 38.2 per cent. It was also top of the worldwide completed deal ranking table, with a rank value of \$597bn and a market share of 28.6 per cent. Mac Heller, head of global

M&A at Goldman Sachs and

The year 1998 was the best co-chief operating officer of terms of their breadth and the investment banking division, says: "Our activity reflects the market's activity as a whole. The activity has been strong across all geographies and all industry sec-

> ranked second behind Morgan Stanley Dean Witter as the leading financial adviser of completed M&A transactions involving a European target with an acquirer from any nation. "Our European business has always been a very important part of our global franchise, and we are expecting the historic restructuring in that region to continue this year," says

Mr Heller. In global announced deals, Morgan Stanley ranked third, with a market share of 25.3 per cent, behind Goldman and Merrill Lynch, which had 25.6 per cent.

Below the top trio of Goldman, Merrill and Morgan Stanley, a second tier appears to have taken shape. Salomon Smith Barney. CSFB and J.P. Morgan all achieved a market share of more than 10 per cent last year, while Lehman and Donaldson, Lufkin & Jenrette achieved 9.1 per cent and 8.2 per cent respec-

Jacques Aigrain, co-head of global M&A at J.P. Morgan says: "We believe there Data recorded the announceis enough space for five to six leading firms on a global scale, each of them having

an equal standing in

ability." He adds: "The market in the US was up 87 per cent for the year, and we were up 143 per cent." Klaus Diederichs, JP Morgan's cohead of global M&A, says: We had the best year ever

for the firm in M&A. The bottom line is we had a great year." The bank was espe cially proud of rapking third in deals involving a European party on either side. Advisers benefited from an

unprecedented mega-deal boom. Says Gary Part, cohead of M&A at Morgan Stanley Dean Witter: "What defined the past year was firstly, the big deals. Companies that we never would have imagined merging, agreed to merge." The mega deals include Daimler-Benz's \$40.5bm acquisition of Chrysler, and British Petroleum's

\$55bn takeover of Amoco. 1998 was also the year of "An increasing amount of deals are being done as all-stock or part stock and part cash." While the Russian financial crisis caused a fall off in deal activity for several weeks in the third quarter, Mr Parr says he never saw managers'

Another of the year's dominant themes was the increased number and size of cross border deals. Securities ment of more than \$672bn in cross border M&A deals, up from \$393bn in 1997 and

\$274bn in 1996. "Thus, more

than one in every four dollars in announced worldwide M&A was involved in a says Securities Data. But hostile deals were almost non-existent. Mr Parr says he expects this to continue again in 1999. "We don't

their views about whether there will be a a continua-

Richard Bott, vice chair-

cross-border transaction, need to do hostiles when people are willing to talk." M&A bankers differ in

tion of the deal boom in 1999. Nevertheless, a bandful of industries look certain to continue consolidating, such as oil and auto.

man of Credit Suisse First

Boston and adviser to Chrysler on its takenger by Daimler-Benz, argues that further deals are mevicable in the car industry. In 1960, there were, 50%.

40 major manufacturers, but that is now down to fearer than 20 today and likely to come down further What many people subscribe to is that there are five indire companies that stand out from the rest: GM. Ford, Volkswagen, DaimlerChrys ler and Toyota," he says.

However, bankers specialising in deals in other indutries, are more cautious. While financial services and telecoms were two of the hottest sectors for deals in 1998, a repeat performance is being seen by industry lead. ers as unlikely.

Jack Levy, Merrill Lynch's global head of M&A, says: Assuming a slowdown in bank and telecom deals. likely stock market volunility and a conservative view about the US economy. I think the year ahead for M&A is likely to be flat to down over 1998. That said. I really hope I'm wrong.

His view is supported by bankers specialising in canic ing and telecoms, who say that the spate of mega-deals announced in 1998 are unlikely to continue in 1994.

Other worries include the potential impact of Y2K (the millennium computer bumb threatening the systems of companies which have failed to adapt their software) on the deal business.

Joseph Perella, head of investment banking at Morgan Stanley, says: "I am anxious about Y2K. There has not been any business history to reflect on how we are going to get through

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THE EURO by George Graham, Banking Editor

Table spread for M&A feast

A large new capital market seems certain to encourage more cross-border mergers

managers who have spent the last three years preparing for the launch of European economic and monetary union, the birth of the euro has often seemed like the most momentous event in investment banking since the invention of the interest

Others, however, feel that the euro, while significant, may be overrated. It must surely help the movement towards the creation of a on the pace of change. European single market in "We believe that the confinancial services but will not be enough on its own to the speed at which this will overcome significant happen. It seems likely to national tax and legal obsta-

The mechanics of launching the euro went more smoothly than anyone had dared to predict. The movement of payments around Europe has not proved easy to manage, with large transfers often ending up at the right account but in the wrong country. Last minute payments bottlenecks caused many banks to make heavy use of the European Central Bank's emergency lending and deposit facilities in the early days of January. However, most markets there remains disagreement moved over without a hitch to the new currency.

With the mechanics safely installed, banks are now more optimistic that the broader economic effects predicted to result from Emu can start to work their magic. These results are expected to stem not just from the presumption that the introduction of a single currency will lead to the existence of single deep and liquid capital market, but also from the fiscal disciplines imposed by the abandoning of national control in Spain indicates. over monetary policy.

There is little disagreetion of change. Most investment banks agree that cross-border flows of funds are likely to increase, that nension funds will increase in importance in continental Europe, and that asset-

For strategists and project backed and corporate bond Vodafone/Airtouch provide they wonder whether they markets will develop as they

have in the US. "I think the creation of the euro will foster the growth of the capital markets in Europe in a way which will be very healthy for Europe, very competitive and, frankly, a great opportunity for us," says Thomas Labrec que, president and chief operating officer of Chase

Manhattan, the US bank. Where opinions diverge is ventional wisdom overstates

take five to seven years to see major change," according to a report from Julian Walmsley, research fellow at the International Securities Markets Association Centre in Reading and Tony Tom-lins, head of investment banking at Computer Sciences Corporation, the consultancy.

In the mergers and acquisitions market, too, there is consensus that industries which have until now mainly looked at in-market mergers will gradually start to look across borders. Yet, on how fast this will take

Attention is focused most notably on the bank sector. which is expected to be the industry most directly affected by the birth of the euro. Until now, cross-border activity in retail banking has been largely restricted to the Nordic region and Benefux. Even with monetary union now in place, in-market deals are likely to remain the most prominent, as the merger of Banco Santander and Banco Central Hispano

Nevertheless, the table now appears to be set for an ment on the general direc. M&A feast of a kind that still appeared unlikely just a

Don Meltzer, head of European M&A at Credit Suisse First Boston, argues that

new evidence that investors are willing to accept paper in cross-border transactions.

"The deals in Europe until the last six months of last year were by and large being done for cash. The ability to use your shares as an acquiror opens up the floodgate.' Even in banking, that

floodgate could take a surprising turn. After a decade of in-market consolidation in the US banking industry. some of the giant institutions that have emerged at the top of the heap are starting to raise their eyes to the hills. In baseball terms,

are now in the seventh inning of a nine inning

Analysts at Merrill Lynch now see the possibility of a following the Wall Street investment banks along the acquisition trail into Europe.

"Just as Daimler/Chrysler and BP/Amoco are redrawing the map in their respective industries, so we see the prospect of US banks, finally achieving global scale after decades of regulatory restriction, reaching across the Atlantic to establish Euro-

Financial Times Surveys

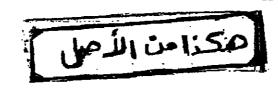
European **Economy** -The Pink Book

Friday February 12

For further information, please contact:

Hannah Pursall in London Tel: +44 171 873 4167 Fax: +44 171 873 4296 email: hannah.pursall@FT.com

FINANCIAL TIMES No FT, no comment.



*Scientific certainties have taken a beating

Last summer's banking troubles exposed the fallibility of existing risk measurement tools

Recent years have seen huge advances in turning risk Barclays came adrift, run-exceeded its one day, one per management into a science. After the series of financial cataclysms that have buf- Long Term Capital Managefeted investors and lenders over the past 15 months, however, scientific certain-

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periods are spilling to you

ties have taken a beating. Several international acknowledged that their banks that had appeared to models for market risk had be at the forefront of theoretical discussions of risk had to eat humble pie after the summer's financial turmoil threw up losses unpredicted their internal risk mod-

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Economy.

Friday February II

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Banks such as UBS and trading account losses had ment's hedge fund out of all proportion to the risks their mer's events.

Bankers Trust, the US unprecedented increase in wholesale bank, reported in its results for the quarter to days during the period its

HEDGE FUNDS by Jane Martinson

Memory loss after last year's trauma

Investment banks are choosing to forget the kind of trouble caused by the near-collapse of LTCM

funds were called Goldman

The near-collapse of the

to admit to trading relations on a massive scale as they

But then the atmosphere credited with saving a stock struggling hedge funds,

short memories." Mark Harrison, head of international prime broker- the German bank from Morage at Deutsche Bank, which gan Stanley, the US investis keen to expand its business in the area, said: "Market events in October didn't firms should continue to

their proprietary trading pean banks," he says, citing desks, which buy and sell natural advantages such as securities on the banks' own credit strength, healthy balaccounts, which prompted ance sheets and strong local the view that they were acting as hedge funds. But the frontline of the relationship between investment banks in the business in spite of and hedge funds runs along the experience of the contitheir prime brokerage

Prime brokerage involves financing, lending, clearing and custody of securities for hedge funds. Most banks typically help fledgling hedge funds with start-up expenses in order to kick-start what a greater than average numthey hope will be a ber of client redemptions

long-term relationship. kinds of links because of the redemptions are nowhere high levels of fee income near the levels feared during generated from hedge fund the dark days of October. If to act on decisions immedi- ment banks are unlikely to ately in all the world's mar- withdraw from their involvekets. Most of an investment ment in a very profitable

ning up losses in Russian cent value-at-risk calculation government bonds or in - a figure that statistically, and in fact over the last three years, would be exceeded on just one day in shareholders thought they a hundred. J.P. Morgan, too, were running. Other banks reported that daily trading results had fallen below average more often than its been overtaken by the sum- market risk models had predicted, because of the

volatilities,

Merrill Lynch, the invest-September 30 that in five ment bank, noted in its filing that credit spreads in emerging markets had never widened by more than 200 basis points over a one month period, yet in three weeks at the height of last summer's crisis they widened by 900 basis points. "A common risk measure-

> of approximately 200 basis In Russia, few banks had

given much thought to the

likelihood that the govern-

ment might default on its

domestic debt. With LTCM, the adequacy of the risk banks had failed to check on modelling and portfolio manother creditors, and so did not realise the massive extent of its leverage.

A group of 12 international banks this month recognised the need for improvements in risk management techniques when they formed the "Counterparty risk management policy group". The group, co-chaired by Gerald Corrigan, former president of the New York Federal Reserve and a partner at Goldman Sachs, and by Stephen Thicke, chair of the risk management committee at

and aims to develop a set of industry standards by the spring. "The intent is to promote enhanced best practices in credit and market risk management and in compiling ment tool such as value-at- key information relative to

J.P. Morgan, sprang out of last year's market turnioil,

especially the LTCM debacle.

group said in an announce-A critique last month from the International Monetary your leverage," he says.

tors and supervisors," the

the fund's indebtedness to agement systems used by banks and other financial institutions. The IMF said typical VaR models understated the likelihood of extreme events and assumed that the processes generating market prices were stable. They also found it difficult to assess the risk of

> the market. Risk specialists do not quibble with many of these criticisms. Ethan Berman, chief executive of RiskMetrics - a company spun off from J.P. Morgan's internal risk management group which develops and markets risk management tools for financial markets - agrees that one of the biggest problems with VaR models is that, while they tell you what your maximum expec-

ted loss would be on, say 99 risk, even using a 99 per cent such practices, including, days out of 100, they do not confidence level, would only where appropriate, reporting tell you whether your loss have considered a widening such information to regula- on that 100th day will be one one million more. "What's the most you can

Marc Lory, co-chairman of

default and the liquidity risk of being unable to unwind a position without unsettling

Gerald Corrigate looking for new risk standards

the Global Association of the model than on the inade-Risk Professionals, argues that VaR models create a into it. Where copious data false sense of security among bank executives who for market movements. default is a much rarer do not understand what the models do and do not tell

The difficulties are compounded when portfolio be much longer than is cur-modelling techniques rently feasible. (Credit card advance from market risk into credit risk, international bank regulators in the on that 100th day will be one Basie committee have more than that maximum, or accepted the use of VaR modelling for market risk. but remain wary of credit ever lose? Everything times risk modelling. Their hesitation appears to focus less on

the theoretical structure of

event, particularly for corporate or government debt. Data series must, therefore, companies, on the other hand, bave shown that credit risk modelling is perfectly practical when you have the more abundant

quacy of the data that goes

can be accurately collated

Operational risk - the potential for loss from a have brought risk manage-

market to hand.)

default data of the retail

ties, ranging from internal fraud to fire in the computer centre - is still more difficult to model. Those few banks that include it in their calculations of economic capital do so only sketchily. Yet, the impulse in some quarters to throw the models out of the window carries greater dangers. Modelling may carry its imperfections. yet it still represents an advance in quantifying and controlling risk over previous techniques. Investment bankers are also aware of the danger of taking on too

Among regulators, too, accepted. Despite reservations about credit risk modelling, the Basle committee is still pressing ahead with an overhaul of its capital adequacy framework which appears destined to lead in due course to acceptance for such models. The committee is also interested in adding operational risk to the capital adequacy framework.

little risk, and thus failing to

achieve the returns they

need to stay in business.

In time, last summer's disasters may be seen to ment closer to science.

Merrill Lynch.

ffair, as the world's mar- were changing their margin kets plummeted amid fears requirements so we picked of a global meltdown, few up substantial business from investment bankers wanted our competitors." with these market pariahs. A Stearns is so keen to sense of wildly escalating increase its prime brokerage credit risks prompted many investment banks to squeeze that it is willing to keep its their hedge fund clients hard margins deliberately low. Mr by raising margin require- Harriton denies this. "New ments on the money they had lent. Industry analysts that we aren't going to predicted that hedge funds squeeze them." he says. would become forced sellers Bear Stearns was one

tried to raise money to meet the new margin demands.

including LTCM. The sense of relief has not yet erased the trauma of gins for all but the largest or pants, however. One sign of most credit-worthy hedge fund research organisation, said: "Margins are not back where they were in August but the pendulum has certainly swung back a bit. I

brokerage market."

operations.

bank's fees come from the area, at least until the next cost of financing but other

the debacle over parts of the relationship, ing-Term Capital Manage such as execution and pro-ment, more than one public cessing, all provide income. commentator quipped that Unlike most other investthe world's largest bedge ment banking clients, hedge funds also pay for bets in Sachs, Deutsche Bank and both directions, long and

short. Richard Harriton, presi-Connecticut-based hedge dent of Bear Stearns Securifund last September pushed ties, which has about 850 the relationship between hedge fund clients, says investment banks and hedge prime brokerage provides funds into the public spot- higher rates of return than light. The willingness of a the US investment bank's collection of Wall Street's four other divisions. Rather finest investment bankers to than being hurt by the step in to sort out the mess LTCM debacle - Bear with a \$3.6bn bail-out raised Stearns was the hedge fund's questions about the indus- main processor - Mr Harritry's involvement in the ton says that the bank benefirst place and, in partifited from the sense of chaos. cular, its desire to fund "We didn't have any probinvestment vehicles with lems during the credit crunch because of our risk In the aftermath of the systems," he says. "Others

Rivals argue that Bea operations outside the US hedge funds feel comfortable

Bear Stearns was one of a group of 12 banks which formed a high-level policy group on counterparty risk management this month folimproved, almost as sud- lowing concerns over perdealy as it had deteriorated. ceived failures in risk analy-A series of interest rate cuts sis during the crisis. The in the US and elsewhere was group's formation was widely seen as an attempt by market collapse and many the industry to put its own the threat of direct regula-

Such threats have failed to those autumn months. Mar- deter many market particicontinuing enthusiasm for funds are still not back to dealing with hedge funds is pre-LTCM levels, but they the number of new entrants have eased off since the dark queueing up to enlist prime days of the credit crunch. brokerage clients. Deutsche Nicola Meaden, a director at Bank, which appointed a small team to set up its prime brokerage operations two years ago, won its first hedge fund client for international securities earlier this month. It has been opersuppose we all have very ating in the US market since

Mark Harrison, who joined ment bank, said there is no fundamental reason why US really change the picture for dominate the prime broker-phose interested in the prime age market. "The prime brokerage business should It was the behaviour of really be owned by the Euro-

> Other European banks are understood to be interested nent's trailblazer, UBS, over the LTCM affair. Four senior executives at UBS, including Mathis Cabiallavetta, the chairman, left because of the Swiss owned bank's SFr984m loss relating to LTCM.

brokerage networks.

. Hedge funds have suffered since the year-end but early Banks are keen on these reports suggest that such business. The funds will pay this health persists, invest-

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Threefold problem signals more pain

Although protecting their domestic market looks feasible for strong banks, pressures on the weaker ones are rising

Japan's investment bankers have just had a bloody year. And 1999 could deliver yet more pain.

While the world's second largest economy ails, the country's banking sector is experiencing its most dramatic upheaval for 50 years. In the past 18 months alone, for example, one large broker and a bank have collapsed, two banks been nationalised and a host of others stumbled into mergers after acknowledging huge losses and bad debts.

Although optimists argue that this shake-out could prove beneficial in the long term, in the short term the mood in Tokyo is grim.

One senior official at a brokerage recently coned: "In the 1980s we were told we would take over the world. Now we wonder whether any Japanese company can really stay a serious global player.

The sudden swing in mood reflects the fact that Janan's investment banking industry faces three interrelated prob-

One is the much-heralded Big Bang reform programme which the government introduced last year in an effort to make the country's financial markets more competi-

In theory, this Big Bang should deliver a new wave of opportunity for investment bankers. After all, for the past 50 years the investment banking world has been painfully underdeveloped in Japan compared with Anglo-Saxon countries because the country's heavily regulated system left industry depending on indirect, rather than direct,

Thus tearing down these barriers, as the government has pledged to do, could boost capital markets. And this process promises to be doubly potent since restructuring in the rest of Japan's industrial world is already triggering "bottom up" pressure for financial

In the corporate bond market, for example, issues have surged as cash-strapped Japcompanies have anese turned to new funding

But though these shifts promise future rewards the problem is that there is little sign that Japanese banks are nefiting yet. Instead, many of the juiciest investment banking prizes are going to the foreign investment banking groups which are taking advantage of the Big Bang spirit to increase sharply

their presence in Japan. Foreign groups are now estimated to account for more than a third of all trades on the Tokyo stock exchange. They have been seizing a growing share of the asset management mar-

And, although domestic corporate bond underwriting is still dominated by Japanese groups, non-Japanese are increasingly acting as lead managers for equity placements for Japanese



shoku, has also closed and

two more, Long Term Credit

Bank and Nippon Credit

Bank, have been national-

However, the survivors are

now essentially seeking two

main strategies. Some, such

as Nikko Securities, are

turning to foreign partners.

The broker, Japan's third

largest, is now starting

operations in a joint venture

only have up to a 25 per cent

stake the deal has essen-

tially left the US group with

control of Nikko's overseas

However, the majority are

instead seaking to build ties

with other Japanese part-

ners in an attempt to gain

the breadth of skill base and

size to compete on a global

Though Travelers will

with Travelers Group.

and wholesale affairs.

Even more strikingly, it is Goldman Sachs, rather than any Japanese group, which is now advising on high profile deals such as the sale of the nationalised Long Term Credit Bank.

This trend partly reflects the fact that Japanese banks lag behind their foreign rivals in terms of skills. But it also illustrates the

second problem, namely that Big Bang is occurring at the very moment the Japanese banks are being distracted by the need to resolve the bad loans problems they inherited from the collapse of the 1980s bubble.

Certainly, progress is being made on this front. The government looks ready to inject up to Y25,000bn of public money into the banks' capital base this spring in

domestic economy.

kei 225, the key stock market

indicator, has tumbled below

Can any of the Japanese

responses have been mixed.

Among the brokers, one of

Yamaichi Securities, has

One bank, Hokkaido-Taku-

already collapsed.

Daiwa, the second largest 'Many of the broker, is forging an alliance with Sumitomo. Nomura is juiciest drawing closer to Industrial Bank of Japan, another forinvestment mer ally.

Bank of Tokyo Mitsubishi banking prizes are is trying to build its own securities business by going to foreign strengthening ties with Mitsubishi Trust bank and expanding its own securities subsidiary.

Even the optimists among exchange for pledges that the Japanese bankers admit they will write off these bad that these new groups are loans and implement serious unlikely to be able to compete with US investment restructuring. It is also actively encouraging weaker banks on a global scale soon. But most hope that they will banks to merge and close. But, though such steps strengthen the banks might deliver badly needed enough to defend most of consolidation in the long their lucrative domestic marterm, such mergers are ket at least.

likely to be highly disrup-Masao Nishimura, presitive. And, if that was not bad dent of IBJ admits: "I can clearly say that it is not our enough, the banks are now intention to compete with beset with a third problem, the top tier of US banks in the broader slowing of the the US market. But our Over the past year trading immediate priority is to proon the three main stock tect our clients in the domesexchanges has actually declined slightly as the Nik-

Although this task looks feasible for strong banks such as IBJ, which has already shown itself capable of building a securities arm, banks or brokers rebound the pressures on the weaker from this? So far their ones are rising.

Either way, the Japanese investment banking world is the so-called "Big Four", unlikely to be in any mood to celebrate until well after the new millennium has

US INVESTMENT BANKS by Tracy Corrigan in New York:

The elite tightens its grip

Second-tier institutions lose momentum as consolidation gathers pace after a year of mixed fortunes

has come through a tumuituous year in surprisingly good shape. When Russia's default on its domestic debt triggered turmoil in the world's bond markets in August, many firms suffered heavy trading and credit

The rescue of Lone-Term Capital Management in September, orchestrated by a handful of Wall Street firms, prevented a possible systemic crisis. Admittedly, banks' extension of credit to LTCM, allowing it to build un such dangerous leverage that it threatened the financial market's stability, was largely responsible for the

scale of the problem. Still, after suffering trading losses in most areas of the fixed income markets, as spreads widened dramatically and liquidity dried up, the improvement in market conditions in mid-October allowed many firms to build on their strong first half profits to produce record earnings in 1998.

Furthermore, the slowdown in new issuance caused by the market disruption has left investment banks with plenty of business at the start of 1999. "The pipeline is very strong at the moment. We have a big backlog in the high-yield area," noted Joe Roby, president and chief executive officer of Donaldson, Lufkin and

According to analysts, while high-yield spreads

On the face of it. Wall Street have contracted, they have not retraced all the movement since last summer, but because interest rates have fallen, many companies can borrow at lower absolute rates and so are not fixated

on yield spreads. But it is not quite as if other issues to deal with.

LTCM and all that never After taking the momentous happened. For one thing, many firms have spent the last quarter slimming down their balance sheets and reining in riskier types of trading. There has been a "considerable reduction" in leverage, leverage, "probably a healthy development", according to Mr Roby.

But it is not clear whether as memories of the turmoil of August, September and October fade, leverage will begin to creep back up again, or whether there has been a fundamental shift in attitudes. But regarding the latter, Mr Roby said: "I wouldn't bet on it."

Some firms came out of the debacle better than others. Morgan Stanley Dean Witter, which had a record year, won plaudits from investors for the relative stability of its earnings, the result not only of its broad spread of businesses but also hecause it was less exposed to trading losses. Joseph Perella, Morgan Stanley's head of investment banking, says: "There is no such thing as insta-firm. History shows it takes three generations to build a top business. You can not buy your way to the

Others, including Merrill Lynch and Goldman Sachs, suffered badly in fixed income, but are expected to bounce back, provided favourable market conditions persist

Goldman, though, has decision last summer to go public after 130 years as a private partnership, the firm had to pull its initial public offering because of market turnoil. The ousting this month from the co-chief executive officer slot of Jon Corzine, who had personally sponsored the change to public status, has left uncer tainty over whether the

strongly cohesive culture of the partnership will survive. Lehman Brothers, after weeks of rumours about financial instability, came through the turnoil intact. Bankers Trust, which suffered a net loss in the third quarter, was bought by Deutsche Bank, in pursuit of a strong US platform.

The Deutsche Bank acquisition was also a further step in the continuing consolidation of the industry, and the largest cross-border acquisition of a US investment banking business so far. Still, it was dwarfed by the earlierCiticorp-Travelers marriage to form Citigroup.

However, it has not been plain sailing for merging financial services companies whose highly paid invest-



Jon Corzine: his ousting creates uncertainty at Goldman Sachs

are not happy with their treatment. Of course, many were pushed, including Jamie Dimon, chief operating officer of Citigroup. widely viewed as the heir

In the consolidation process, all but one of the independent San Francisco-based investment banks, which built their franchise on the booming technology industry on their doorsteps, have been absorbed. Robertson Stephens, after a brief sojourn at Bank of America. was sold to Bank Boston, while NationsBank, itself subsequently merged with Bank of America, bought Montgomery Securities.

The gap left has already spawned some fresh efforts to build new businesses. Tom Weisel, who formerly

up a new firm, staffed largely by other old Montigomery hands, while Sandy Robertson, a founder of Robertson Stephens. 15 launching a new internet investment bank called E*Offering, in conjunction with internet trading service E*Trade.

Meanwhile, the concentration of business among the bulge bracket firms has intensified, and the big builte bracket firms, including Merrill and Goldman, non have substantial marker shares in all the main order uct areas and geographic regions. The battle to form part of an emerging global investment banking elite. exemplified by Deutsche's acquisition of Bankers Trust.

continues. But "as time goes on these things will be getting harde: to replicate," believes Stanley O'Neal, chief financial officer at Merrill Lynch.

As markets become increasingly interconnected. he says, the demands of distributing equity globally. or advising on cross-border acquisitions, favour those with global reach and scale.

Walter Gubert, head of global investment banking at J.P. Morgan, says: "It is increasingly difficult to said who in the second tier investment banks is going have a shot at the crown. The second tier of firms is losing momentum rather ment bankers can afford to ran Montgomery but left than gaining it and that is walk out of the door if they amid disagreements with the crucial in this business."

REMUNERATION by Richard Donkin

Bonus cuts help weeding process

Recession fears are an excuse for cutting obs and containing salary expectations for all but the best staff

top league."

the financial problems of south-east Asia and Russia which shook international markets during the second half of 1998 proved a timely reminder to City traders that

the great bull market of the In spite of the recovery in towards the end of the year, the early autumn jitters which produced a crop of gloomy predictions of worldwide recession were strong enough to take the steam out of year-end bonus expectations in most of the big

investment banks. The result has been a mixed reaction among money makers. Some have been leaving their offices in the New Year in a buoyant mood, earning as much as they did the previous year. Others - the majority - are resigned to lower bonuses. And some have discovered that they can expect no

bonus at all. The losers in the bonus round are finding that pay has been used to communicate the harshest of messages. Those with no honuses are being told they are no longer wanted, those with less than they might have hoped are being told their desk is safe for the time being and the big

Armageddon it was not, but for the stars, confirming their place in the firmament.

"Bonuses are being used as a way of upgrading staff. The banks have always used them to tell poor-performing junior staff that they have no future with the company. 1990s could not last for ever. But now this message is being passed on to people western financial markets right up the chain at comparatively senior levels. says Martin Krajewski, chief executive of Joslin Rowe Associates, the City recruitment consultants. "This enables the managers looking after the bonus pool distribution to pass on proportionally more of the pool to the better performers," he

> The same is true of Wall Street as it is of London. "The banks have used the opportunity of bad news in the market to get rid of ever

increasing expectations. The managing director of Michael Page City, the financial recruiters.

This has led to some move ment of people but less than might have been expected: "The better quality people are staying put as is always the case. Good people are just as hard to find as they were in the good times," he

Merril Lynch in October led large-scale clear-out. One City recruiter predicted job ses of between 20,000 and 30,000 in the following 12 months. Some, who were less willing to go on record, forecast more than double that figure.

Joe Clarke, of Monks Partnership, the pay consultants, is dismissive of the wilder speculation, "I would not



Martin Krajewsid (left) and Paul Wilson: dividing the spoils

result is realistic rather than significant figure, sobering made money or not, and the enormous bonuses," says Ian enough to remind some trad-Basser, North American ers that they should be worrying as much about keeping their job as they are about

maintaining their bonus. Another factor has been merger activity. Some 5.500 jobs are expected to go in Deutsche Bank's takeover of Bankers Trust. Staff shedding and consolidation is an inevitable feature of City mergers.

Elsewhere, however, merg-Job losses announced at ers have brought in good business for the banks and to some predictions of a are expected to remain a strong source of profit this year. The mixed fortunes of different trading activities proved a significant factor in influencing staffing and pay

- those who worked in emerging markets, for example, experienced poor results in 1998, while corporate finance business held up. Rather than penalise the

better people in poor-performing activities, however, some banks have taken the opportunity to reshuffle their teams, ensuring that numbers of less effective their best people are working in the most promising

Some parts of the business have a had a very difficult year but some have had a good year. It really has been a case of feast and famine," says Paul Wilson, deputy managing director of Michael Page City.

"In some areas, such as the workload has been enor-

to go," he says. This is still a mous, whether the company bonus expectations of these

Exposures to Russia and losses incurred by some banks involved in the Long-Term Capital Management (LTCM) hedge fun debacle have led to renewe. opportunities for those working in risk management. "Banks have become more wary about large risk areas Corporate advice and fund management have grown in popularity as a result." says

James Fergusson, chairman of Stephens Associates, a City headhunting firm. "There is an uneasy calm Everyone is wary about the US market. We are hearing forecasts of a slowdown but recruitment is still performing quite strongly," he says. Apart from the high profile clear-outs such as that at Merrill Lynch and the winding down of a number of

Japanese trading operations, job-shedding has been more a case of shaving off small traders, say recruiters and pay specialists. "I think all of the banks have been quietly shedding people," says Peter Christie, head of the UK Banking Sector at Towers Perrin, the consultants.

On the other hand, Mr Christie points out, the good days for some are almost as good as ever. "Bonuses are well down but they are not the back and middle offices, as bad as people were expecting in September.

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ASSET MANAGEMENT by Jane Martinson

Business is stuck on sticky money

Investment banks are finding the attractions of asset managers' steady income increasingly enticing If nothing else, Deutsche effect among fund managers.

Bank's \$10.1bn takeover of Bankers Trust this year banks are still interested in buying asset management The Bankers Trust deal,

which is set to give the German-owned bank a bigger presence in the US investment banking market, creates one of the world's largest asset managers as well as the largest bank.

With total funds of more than \$650bn, Deutsche ranks as the third largest money manager in the world, according to Gemini Con-The takeover also comes

just a year after the merger of Union Bank of Switzerland and Swiss Bank Corporation created the world's largest asset manager and the £3bn takeover of Mercury Asset Management, the UK's leading pension fund manager, by Merrill Lynch. the US investment bank. Such deals confirm a ten-

dency for consolidation in

Several industry analysts believe that the trend will proves that investment continue this year, partly because of the number of investment banks known to be keen on building larger asset management businesses. Banks such as Goldman Sachs and Morgan Stanley Dean Witter are just two names in a long list. The seriousness of Goldman's ambitions in the area was so great that its abortive plan to go public was understood to be based partly on its

> But what makes asset management so attractive for investment banks?

desire to raise capital to pay

for fund management acqui-

The fund management industry is expected to benefit from the likelihood that the world's ageing population will be forced to rely on its own private savings in old age as the state ceases to shoulder an increasingly heavy social security burden. This argument rests sucked into the void. Her partly on the experience of research suggests that on deal flows that can be the investment banking the US, which has the unless medium-sized groups industry to spark a domino world's largest asset man- offer a niche product, which alone guarantee. Asset man-

its smallest per capita social security bills.

But it is also based on growth estimates for Europe and other developed nations. Gemini forecasts that continental European mutual funds will increase in size by more than 20 per cent annually over the next five years as the population takes more responsibility for its own

Acquisitions are also prompted by the fashionable belief that fund managers need to be big or niche to win out in this lucrative market. Escalating costs connected with technology, client servicing and staff have demanded greater efficiencies. Medium-sized groups typically face the same cost pressures but offset against a smaller fee

Penny Frohling, a princi-pal at Gemini, calls this middle ground the Bermuda Triangle", where costs are

agement industry and one of can therefore charge higher fees, they typically suffer lower operating margins.

Merging has also become attractive because of the slow rate of organic growth experienced by many fund managers entering new markets. No foreign-owned fund manager has managed to manager has managed to summed up by one Deutsche gain significant market executive, who admitted: share outside its home market organically.

The experience of many US fund managers which have tried to develop without acquisition in Europe, such as Fidelity and JP Morgan, proves now slow the process can be. Non-domestic assets still account for only about 10 per cent of almost \$800bn managed by Fidelity in spite of an international operation that dates back more than 20 years.

Credence is increasingly being given to the attractions for investment banks of linking with fund managers. Traditional investment banking activities, such as corporate finance, are based very difficult to predict, let

agement, on the other hand, is characterised by long-term relationships and a steady stream of new funds. Although the industry is hit by a market downturn as fee levels drop, its earnings are far less volatile.

This argument "When you value something like BT there's always the danger that the investment banking P&L will disappear in the next quarter as the deal flow dries up. The asset management business, on the other hand, gives you sticky money. It doesn't dry up fast."

Adding to this stickiness was BT's custody business, which contributed about \$2,400bn in assets. Operating largely as an adjunct of its passive fund management business, this business provides another relatively

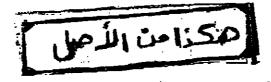
steady income stream. But there are significant dangers in buying an asset management company. One concerns the management issues attending the takeover of people businesses.



into a void

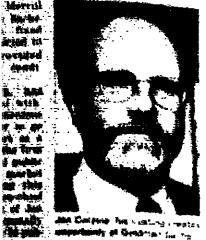
Poorly handled takeovers have prompted the departure of large numbers of the target's most valuable assets its staff. In order to prevent this happening predators are often forced to pay significantly more than the offer price to tie in the most wanted members of staff. Many mergers are also

characterised by a failure on the part of the acquirer to introduce large-scale changes which could upset the staff or its clients. UBS was eventually drawn into giving a public commitment to the management of Phillips and Drew, its London-based institutional fund management operation, that they would retain an element of independence.





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Weakest link in the business

Last year was one of the toughest for some time in emerging markets

Investment banks have taken a bath in Asia and Russia, and now Brazil is threatening to turn on the taos again.

Emerging markets have become the weakest link in the global business of the leading banks, adding another level of volatility to an earnings stream already more volatile than bankers would like.

Last year was one of the toughest for some time in emerging markets, with the fall-out from the Asian financial crisis exacerbated by the collapse of the Russian economy and the government's sudden default on its international debt.

It hit the banks where they hurt most, and there was further agony when Long-Term Capital Management, a New York hedge fund, teetered on the brink before being rescued at the behest of the US Federal

If Russia was the most immediately destructive of these events for the investment banks, the Asian crisis has seen a rather longer and slower attrition of their forces in the region.

Gemini Consulting, which monitors the investment banking industry, says Asian syndicated lending was down 70 per cent - and even more for China-related deals – in the first half of 1998 compared with the first half of 1997, while debt-bond and equity issues fell 60 per

With high fixed costs comtry in the region, and little sign so far of a sustained upturn in activity, retrenchment is now the theme.

"The idea of being a global second place to a restructuring of their Asian operations Hock Kheng, a principal the region," he adds. with Gemini Consulting in

Local and regional investment banks have been hard- sia's debt default, and the est hit and will continue to suffer until the economies of south-east Asia begin to show signs of sustained tries of central and eastern recovery. Only the big global - Europe are now a key battlepockets which are patient next five years - will emerge



includes Merrill Lynch, Citibank, Deutsche Bank and ABN Amro. Of course, the Asian slow-

down has not meant that business has dried up entirely. Bankers say they are "pleasantly surprised' by the way business is mon throughout the indus- starting to pick up again in certain parts of the region.

"It is not a complete vac-'uum," one says, pointing to India and Singapore as two markets that emerged relainvestment bank has taken tively unscathed from the mess. There is still a fair degree of investor appetite for many banks," says Lim for selected business out of

Europe's emerging markets did not suffer the destructive effects of Rusdomino effect seen in Asia did not materialise.

To some extent the counhouses - those with deep ground in the drive for new European business, espeenough to wait for the cially since the markets of region to turn round in the western Europe are beginning to mature.

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ness in countries such as markets, with the world's Poland, the biggest market outside the former Soviet bloc, and Romania, although progress in privatising assets in that market remains painfully slow.

Most attention is now focused on Latin America. where US investment banks have long had a significant

The series of state sell-offs, which reached a peak in 1998 with the break-up and sale of Telebrás, the national telecommunications network: has attracted a flood of for-

biggest privatisation pro-

gramme at its heart.

eign investment to Brazil. Now, however, the coun-

'Bankers are "pleasantly surprised" by the way business is starting to pick up again in certain parts of Asia'

been strengthened in the acquisitions of some of Bra-

The acquisition of Banco First Boston last year was followed at the start of 1999 by the purchase of Banco Patrimonio by Chase Manhattan. The trend has been That small number paid to privatisation business in the Brazilian capital equity transactions.

thrown both the government past two years by foreign and foreign investors into disarray, although not the zil's leading investment least crucial difference between Brazil and Russia is that foreign investors have Garantia by Crédit Suisse not lost money in Brazil, so far at least.

Indeed, there may even be benefits for investment bankers arising from the Brazilian turmoil. Tradition- ing new funds. driven by the sheer volume ally the region has been a

EQUITIES by Vincent Boland

Good, but it could be much better

The European market is perhaps more robust than any other and competition is expected to get even more intense

they ponder 1999, it is vola-

The turmoil that has gripped emerging markets since the middle of 1997 has now reached Brazil and, although the reasons are to a large extent particular to that country, the effects on global markets are similar – volatile share prices and changing calendars and timetables of deals to be

Bankers say their equity new issue calendars are full but somewhat provisional, with only those deals that have to be done", essentially on the privatisation front

firmly pencilled in.
The wider macroeconomic factors propelling the flow of corporate restructuring, heavy inflows into equity mutual funds, the phenome nal growth of internet stocks, to list three of the decisive factors that shaped the market in 1998 - will continue for some time yet. The only variable is timing.

Last year was a good year. It included NTT DoCoMo, the world's largest initial public offering, as well as the highest opening-day premium yet.

Governments awarding

huge privatisation contracts

years to play the banks

against each other over fees,

such has been the level of

This is a good opportunity

an investment banker spe-

rather more worrying on the

debt front. Argentina, for

example, has been an active

borrower on international

capital markets and, while

ts currency board has helped to maintain a stable

and float the real.

equity and debt markets.

increasingly fickle investor

"It would be nice to see fee

competition.

But it was not as good as it could have been. Russia's levels coming back up a bit. debt default in August put some deals on hold and a for that to happen," says year that began with a bang with the privatisation of cialising in Latin American France Télécom succumbed to a bout of volatility and rather limped to a close The Brazilian instability is

The number of international new equity issues fell." were not in the top five. as a result, although theircombined value was roughly in line with the levels of Of the three main geo-

peso, its export-dependent graphical sources of new ssues, the European market economy could be hit badly by the decision of its much is perhaps the most robust. bigger neighbour to devalue The flood of telecommunications IPOs seen over the That could affect Argenpast few years is finally over tina's ability to borrow in in western Europe, but a eries of offerings of addithe markets at current

spreads over US treasuries tional tranches is likely. including a further sale of and push up the cost of raisstock in Deutsche Telekom The wider worry is that which bankers say should. come this year. sively in Asia, Russia and in the market since the com-Brazil has greatly increased volatility levels in global pany was floated in 1996.

That is almost certain to the year of the continent's affect the timing of deals airlines, however. First to throughout 1999, and ultitake off should be Air France, with Alitalia and TAP Air Portugal also in the

crops up in every conversa. Europe's hig industrial com- 1999, but they expect 3 tion with equity bankers as panies, meanwhile, has already led to a number of big convertible exchangeable bond issues, and there is likely to be much more of

> "The European market has a lot of defensive characteristics and will be pretty resilient even if we see a downturn," says John St John. managing director of equity capital markets at Salomon Smith Barney in London.

this in the coming months.

done, and restructuring and the euro are accelerating the

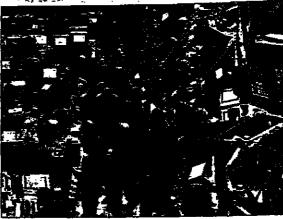
Investment banks have curces in European emity charter markets. War-

If there is one word that The consolidation of capital markets business in clearer distinction between winners and losers. in particular, the trend

towards smaller syndicates will increase the focus on banks' generally large staffing levels in the business An observer at a niche US bank observers of his bigger peers in Europe: "A lot of

houses haven't really gut to grips with how much their ECM new issue business is costing. Some of them are completely overstaffed." Internet stocks grabbed

the headlines in the US market in 1998 and Michael Anderson, head of global been concentrating enor- equity capital markets at Donaldson, Lufkin & Jen rette, believes the sector will



burg Billon Read secured the writing European deals in 1998 but two banks with stocks shows no sign of abatgrobal pretensions, Merrill Lynch and Deutsche Bank,

Niche participants such as ABN Amro and Paribas, on the other hand, fared better, a reflection of the importance of a strong franchise in a bank's domestic market. Competition within the European market is expected to get even more intense. The battle is just beginning

the corporate sector, espe-

cially as the restructuring of

the continent's industry gathers pace after the arrival of the euro. been no new Telekom stock rate spin-offs, particularly among the big German banks and industrial compa-

This is more likely to be nies that have signalled a desire to unwind cross-shareholdings. But who will win the business? Few bankers expect

any of their competitors to withdraw from the equity

ket well into this year.

The demand for "tech" ing and the buoyancy of the stock market, especially in the teeth of Brazil's currency turmoil, has given heart to not buy-and-hold stocks", says a US banker. However, more conven-

scarce, although there appears to be little pressure for the hearts and minds of on fees. The typical fee for a \$50m IPO is 7 per cent "give or take 10 basis points". the banker says. For a \$150m deal, the fee is

tional offerings are relatively

6 to 6.5 per cent, while it can Bankers are eyeing enor- fall to about 4.5 per cent for

These compare very favourably with European transactions, to say nothing of Latin American levels which are widely considered to be the lowest, such is the level of competition for busithat market.

DEBT MARKETS by Khozem Merchant

Euro sparks fight to win market share

The Americans have a head start over their European rivals thanks to mature domestic capital markets and the dollar

opened up many new battle the market. In the second lines. One of the more intriguing is between US and share share while in the European banks for supremacy in the euro-zone's debt per cent.

Having lost their domestic have started what bankers franchises with the introduction of the euro and the tiative". In the first two ergence of a single capital market, European banks banks filled the top seven must now fight to win mar-out of 10 slots for book-runket share in their own back-They must compete

head-on with "bulge bracket" US banks in a market where previously they enjoyed some advantage, especially in lead managing issues in their domestic currencies.

The upshot of this battle is likely to be an oligarchy of by US institutions but with some European presence. This is a trend being

tural changes such as the introduction of the euro and the emergence of a unified, that the beneficiarles will be credit-driven capital market. those banks, potentially This is a long-term trend, but it will happen," says develop a global reach. Karsten Moller, managing

director and head of Euro-

pean debt capital markets at Goldman Sachs. The disparity between US banks and their European rivals is illustrated by the 1998 tables of top book-runners for the following categories in all currencies - all markets with the ultimate international bonds, euro-

bonds, and eurobonds and all globals. In the first category US

The launch of the euro has slots with 29.56 per cent of too, has disclosed its bluefour US banks held a 28.63 third six US banks hold 43.27

> This year European banks describe as the "catch-up iniweeks of the euro, European. out of 10 slots for book-running on eurobond issues. according to International Financing Review.

"Most European banks have taken this early opportunity to deal themselves be one in which corporate back into the markets," says Joseph Cook, managing director, at J.P.Morgan. "US banks are not getting much of the euro-paper issuance. some are even considering will become a fixture. withdrawing from certain

The catalyst for all this driven by irreversible struc- has been the euro; which will become, like the dollar, nation and distribution." a global currency. It follows European, which possess or

"The dollar is a global product and the reason why US investment banks have been strong here is that they print," says Mr Moller.

global product, the dollar. Deutsche Bank's recent takeover of Bankers Trust is

print for similar status by creating four core banking units that mirror the US model.

The changes are designed to position Paribas ahead of what it, Deutsche Bank and others believe is the unfolding revolution in the eurozone's capital markets. The unified European capi-

tal market, which will increasingly resemble the more credit-focused US market, is the second force for The euro-zone market will

bonds will outstrip bank debt as the main form of company debt. Price transparency and liquidity will be enhanced and credit ratings The long-term question is who will win the enlarged

underwriting business. "The ciucial issue will be to become masters of origisays Andrew Pisker, global head of bonds at Paribas. The quality of deal execution and historic relationships will be the test, he adds.

US banks make more aggressive use of debt and credit pricing. They have a more mature capital market have more of a global foot- and excel in product design and marketing, This has The US banks have had a given rise to a tradition of head start. They have shareholder value, which is mature domestic capital now taking root in Europe. forcing companies to merge and refocus as they improve

performance. But the prime driver a signal of its "bulge behind the expanded USbanks command the top four bracket" ambitions. Paribas, style capital markets in the



euro-zone is bank disintermediation, by which borrowers skip past their traditional lenders - banks - and raise funds from the capital

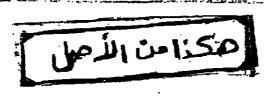
In the US, 68 per cent of corporate debt is in bonds and 32 per cent in loans. The ratios are reversed in

"Banks know that if you are a decently rated corporate it is still cheaper to borrow from banks than capital markets," says Mr Cook. "However, you get long-term lending from capital markets without banks poking their nose into your business.

The US's export to the European market has been both cultural in terms of market practice and organisational. In effect, the European market is slowly being "Americanised".

US banks have developed high-yield financing, mortgage securitisation, corporate bonds, the business of trading and marketing weaker credits and a whole raft of ways of bringing liquidity to the market.

This is what many European banks are now trying to replicate. But only a few are expected to succeed. Most agree the winners will probably include Deutsche Bank, ABN Amro and War-



partly attracted strong

inflows because of what

bankers describe as a "com-

pelling case going forward".

One barometer is that buy-

out activity as a percentage

of gross domestic product in

the United Kingdom in 1997

was 1.43 per cent compared

with 0.15 per cent for Ger-

rity of the UK. More impor-

tant for investment banks

reveals the potential of con-

tinental European markets,

Price aside, the surplus of

"Last year on a number of

funds chasing too few deals

occasions there was a mis-

match between the volume

of deals coming to the mar-

ket and retail banks' ability

to digest them." says David

Farley, head of LBO finance

at J.P. Morgan. "As a result

several large deals failed to

More recently, some deals

which encountered difficul-

ties betray what one banker

describe as the "high water-

European banks' small

away deals when the volume

rose. "Given the relatively

uniform pricing, banks chose

straightforward deals and

turned down the complex or

highly leveraged transac-

tions," said Farley. Banks

completely syndicate."

deal-making".

especially Germany.

has caused problems.

This illustrates the matu-

The LBO market is being driven by a wave of mergers and acquisitions and by the rise in the amount of private equity funds

funds are raised at very high rates to buy a company whose assets are used as collateral against the loan, is

not for the faint-hearted. The events of last year, when the Russian debt default squashed the market for high-yield bonds - an important element in a typically large LBO financing are unlikely to go unheeded.

Chastened European investors are suggesting a greater input of equity and senior debt in these innovative types of financings while also becoming more conservative with their leverage multiples.

At the same time a slowdown in the euro-zone economy will test the nascent industry's ability to remould heavily leveraged deals hit by the tougher economic cli-

There are two main groups of factors driving the European LBO market, which grew by value from \$9bn in 1993 to about \$36.6bn five

First is mergers and acquisitions, which is being fuelled by a wave of industrial consolidation in the euro-zone. At the same time more robust demands for shareholder value are forcing companies to sell peripheral assets and refo-

"For the first time institutional investors in public and private markets are looking at Europe on an integrated basis and this is driving consolidation across the region," says David Gregson, managing director of Donaldson, Lufkin & Jenrette Phoenix Private

The second engine of growth is the increase in the size, as opposed to number, of private equity funds, in particular US investors looking to migrate from The result is what David invested in dedicated high-

Leveraged buy-outs, where Law, head of leverage yield or LBO funds. This has finance at Warburg Dillon Read, describes as "pent-up buying power at an all-time high. There are simply not enough quality transactions available to satisfy the vol-

ume of funds raised." In 1995 the pool of available funds for LBOs was \$5.9bn, swelling to \$22.6bn in 1997, report Warburg Dillon Read. Leveraged up by a factor of, say, four, the real firepower is between \$50bn-\$80bn looking for deals. Private equity firms have

been the catalysts. "They have had some great oppor-tunities to make money," says Hugh Briggs, vice-president of acquisition leverage finance at Salomon Smith Barney. "They were riding a rising cycle and vendors were getting great prices."

There is now a more cautious approach. Investors had been paying multiples at the peak of the cycle. The key issue now, he says, is "Are people overpaying? Most investors are now staying liquid rather than overpaying." Recession will tease out the answer.

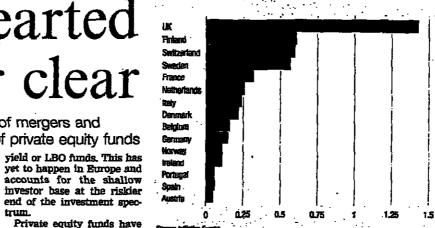
British private equity funds drive the European market. Some of the leading participants such as CVC Capital Partners and Doughty Hanson have raised funds of between \$2.5bn and \$3bn since 1996.

The size of some recent LBO teams were a problem, LBOs is illustrative. They too, forcing some to turn include Kappa Packaging (Cinven-CVC, \$1,670m); Willis Corroon (KKR, \$1,565m) and IPC magazines (Cinven, \$1,415m) These funds face big

threats from their larger US rivals such as KKR, Warburg are now increasing their Pincus and Hicks, Muse, LBO teams. Tate & Furst, which between them boast global firepower approaching \$20bn. In the US massive liquid-

Bankers identify two broad fault-lines. First is a slowdown in the European economy. Markets can adjust ity has flooded into the big to this by leveraging down and cutting the number of mutual funds, which in turn

European buy-out activity 1997 (ss % of CDP)



	1993	1994	1995	1996	1997
UK	4295	5630	8756	12228	17014
France	1362	1663	1501	1680	5261
Germany ·	.596	1122	952	1792	3801
Switzerland	566	450	641	1438	2477
haly .	608 .	528	276	1024	. 2972
Other	1565	3202	2429	3651	5045
Total	8992	12595	14456	21814	36566

servative European investor

The safety net is develop-

equity to be utilised we need

to continue to broaden the

debt investor base beyond

traditional European senior

bank lenders," says Tom

Hagerstrom, head of high

yield origination at J. P.

He says the critical issue

structures. "If senior or sub-

ordinate debt can be increas-

ingly placed with more Euro-

pean institutions, I think the

long-term dynamics of Euro-

pean LBO are compelling."

factors will be the develop-

ment of the dedicated funds

"way of looking at credit.

invest on their own.

Morgan.

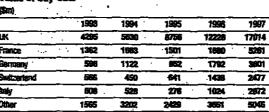
he adds.

skilfully market participants restructure existing highly

routinely dealing with this problem for years.

bondholders. mark of aggressiveness in "The first default of an LBO with high-yield financing could be a legal beanfeast," says Mr Briggs at Salomon Smith Barney, This is because high yield is governened mainly by New York law, syndicated loans

> "I expect a significant LBO defaulting in euro-zone in not have credit skills to the next two years," he says,



The challenge will be how the risk appetite of the conleveraged deals hit by the ing a deeper and broader investor base. "For all of this tougher climate. The more mature US market has been

Second is the issue of security and who gets paid, and in what order, in the event of a default. In the US bondholders fall behind banks but ahead of ordinary creditors (suppliers). In Europe hanks are followed by the ordinary creditors, ahead of

by English law and securities by local laws.

To a large degree the

leveraged finance market is predicated on the revival of the high-yield bond market, a casualty of the Russian debt default last August. High-yield financing will test **DERIVATIVES** by Arkady Ostrovsky

Greyer, but more respectable

The image of a business which has more in common with gambling than with banking is receding

derivatives.

cent." he adds.

and effort.

environment.

derivatives, but investment

banks say they no longer

two commodities were in such large supply last year that even hard-bitten traders found themselves treading

water.

First there was Russia's double act of default and devaluation, which led to a credit squeeze and the annulment of forward contracts that were supposed to protect foreign investors from such an eventuality. That was followed soon

after by the near-collapse of Long-Term Capital Management, a US hedge fund specialising in equity derivatives. It was forced to unwind its positions at a time when there were few buyers in the market.

These were some of the highlights of a year that sent the shock waves throughout the derivatives markets.

UBS, the Swiss bank created in the merger of Union Bank of Switzerland and Swiss Bank Corporation, SPr984m and led to the resignation of Mathis Cabiallavetta, its chairman.

The effects of the Russian crisis are still feeding through capital markets as banks try to recover their losses. Both events caused is raising the availability of institutional debt in these banks to reduce their appetite for risk and their exposure to equity and credit derivatives. In addition, the introduc-

tion of the euro removed the need to hedge against foreign currency risk in the 11 euro-zone countries, remov-Some of the influencing ing a large chunk of business in fixed income derivatives markets in Europe. "Implied volatilities have

targeted at individual investors or institutions, who do risen to historically high levels and people are very cau- in an increasingly low-yield tious about rising volatility US banks routinely talk of across Europe and the US," their more sophisticated says Chris Goekijan, co-head of fixed income and deriva-That is one reason why they tives division at Credit Suimay continue to drive the sse First Boston, one of the LBO market in the euro-"We have reduced our risk year. The issuer, on the

Derivatives traders thrive on appetite, especially for vola- other hand, hedges its interrisk and volatility. But these tility, and we are much more est rate risk by writing a conscious of counter-party swap with the bank which risk and credit exposure." says Wolfgang Stolz at Warbased financing.

"The trend is moving from burg Dillon Read. Mr Stolz says while the conventional straightfor-UBS is still one of the main ward derivatives, which providers of volatility products, it has tightened its limmarket, into value-added its for risk exposure signifiproducts which customise cantly. volatility and debt portfolios Last month UBS also said for individual clients," Mr

it was pulling out of energy. Bertrand explains. hase metals and electricity The biggest growth area. however, is equity deriva-"Products linked to volatil-

"As interest rates came ity used to account for 80 per down and investors became cent of our total revenues in equity derivatives. Now it more bullish on equity markets, they started buying accounts for about 40 per equity notes where you have As in many other maturprincipal protection and ing industries, the talk your ultimate upside is among investment banks is linked to the return of some about adding value and cus- market or some stocks." tomising products to the speexplains Thomas Reagan, managing director of equity cific needs of the client. Straightforward interest

rate and currency swaps Over the past two years may still account for most of one of the most popular the volume in fixed income equity derivative products has been convertible bonds, which can be converted into represent most of the value shares of the issuer when the share price is higher

Eric Bertrand, managing than bonds. director of fixed income But the turbulence in capiderivatives at J. P. Morgan, tal markets and rising volasays that, while the headline tility meant that many numbers show that volume banks found themselves growth has slowed from 30 short of long-dated volatility products. This has prompted per cent a year to 10 per cent, these figures do not the development of so-called reflect structured derivareverse convertibles,

tives, which are not traded The investor who buys a in the market and therefore are harder to account for. obliged to turn it into shares "Structured derivatives only if the market goes down are expanding by 30 to 40 per and the share price drops cent a year," Mr Bertrand below the value of the bond. says. The demand is partly Meanwhile, an investor driven by insurance compareceives a high premium on nies and institutional investhe paper. Many bankers say the tors looking for higher yields

image of derivatives which has more in common with gambling than with banking is receding. So too, they claim, is the era of Nick Lee-

The industry may be greyer, but it is also beginning to get respectable.

German insurance compa-

nies, for example, are invest-

ing in derivatives based on

bonds which have higher

yields because they can be

called by the issuer every

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ideas and information that can be shared at anytime and anywhere drive today's business. To be connected is becoming critical. The convergence of video, data and voice communications offers totally new ways of doing business. Companies and organisations around the world are entering a new era of greater efficiency, keener competitiveness, increased profitability and new opportunities. Just one company can provide all the expertise needed to integrate these technologies into Unified Networks. And make your networks work wonders.

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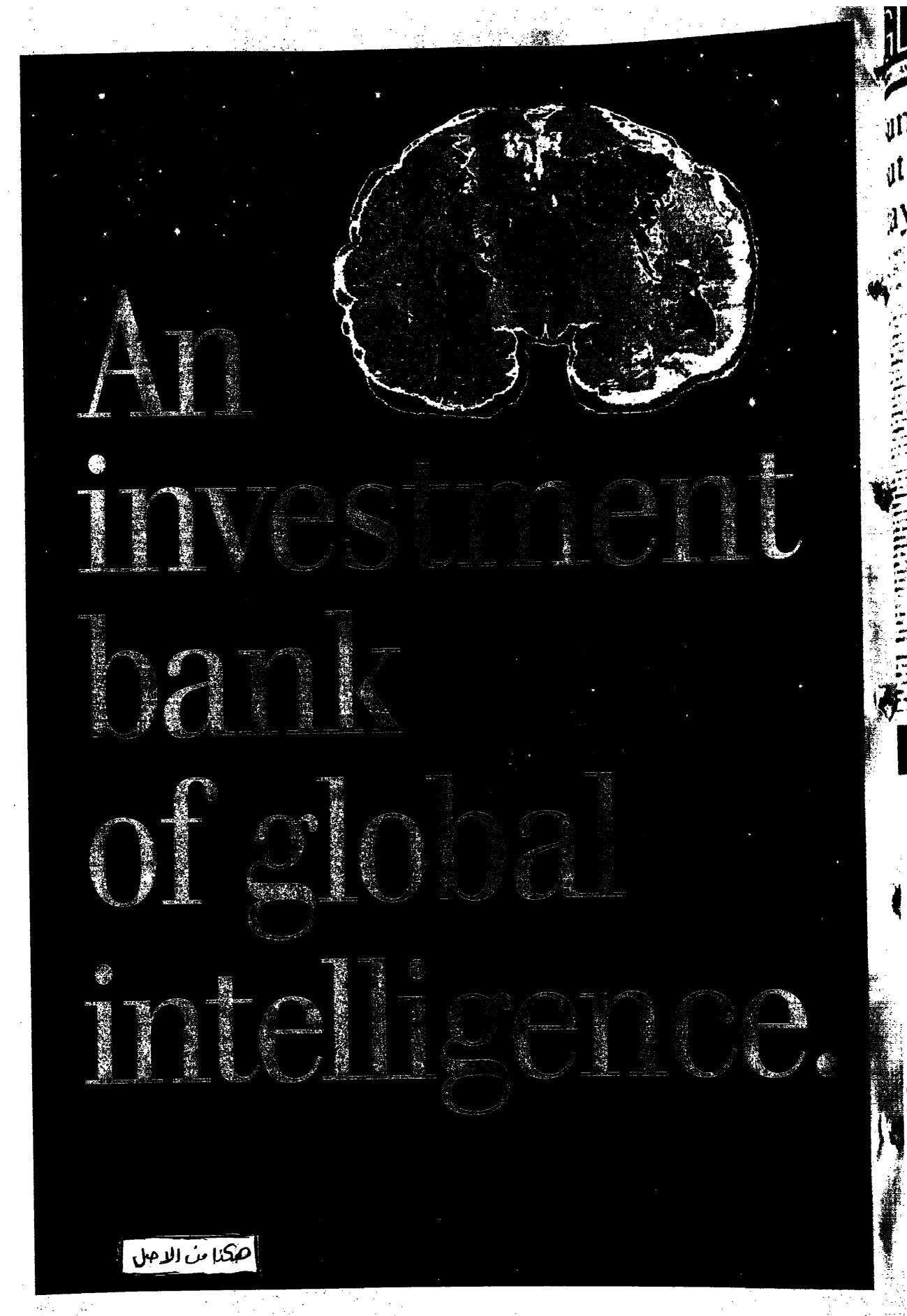
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GLOBAL BUSINESS OUTLOOK

Annual report

Sunny intervals, but storm clouds stay close by

Many sectors are expected to prosper through macro-economic climate, writes Kevin Brown

After all the years of ous downturn, in spite of the planning, the great event of apparent stabilisation of the 1999 - the launch of Europe's single currency went off almost without a hitch. But the successful start of trading in the new currency is only chapter one of the euro story.

Those commentators who think it will all end in tears may be overly pessimistic, but the slowing global economy and increasing trade tensions suggest many companies will discover this year that it is as painful to lose money in one currency

Many companies, of airse, will do well in spite the cloudy outlook. Others will force themselves into a through takeovers or mergers, often across national borders as the pace of globalisation quickens. There will industries in the forefront of technological change, such as mobile telephony, pharmaceuticals and the booming manufacturing outsourcing sector. For the bulk of the world's businesses, though, the macro-economic climate is what counts. And, as January comes to an end, it looks decidedly unfavoura-

As the International Monerecent update of its World dohal economy continues to face a severe risk of a seri- US gross domestic product, cent. It also warns that pros-

emerging market problems which first appeared in Asia in 1997. The scale of the problem is apparent from the speed at which the IMF has downgraded its forecasts for economic growth in 1999; from 4.4 per cent in late 1997 to 2.5 per cent in October last year, and finally to 2.2

The modest scale of the latest revision has been widely interpreted as an indication that the global economic crisis which appeared to be looming has been averted. But the Fund was careful to add that the supply of funds to most emerging markets had been more competitive position sharply reduced, while conditions in world financial markets remained fragile. These continuing problems meant that it would be prealso be continued growth for mature to consider the world's economic difficulties over, the IMF said.

The picture looks similar on a country-by-country basis. The US economy is widely thought to be vulnerable to a slowdown, if only because over-valuation of US equities makes the economy increasingly dependent on the maintenance of fragile consumer confidence. If the optimists are right, it is postary Fund warned in a sible that robust growth will continue. In any case, interonly a small proportion of of no more than 1.25 per

on the rest of the world would not be too great so long as other engines of growth remained on track. The problem is that, if not already off the rails, the

other big economies are certainly having trouble pass ing the signals The Organisation for Eco-nomic Co-operation and Development (OECD), in its economic outlook published in December, warned that

nese growth to very low levels this year and next, even if Tokyo manages to overcome the serious problems of the Japanese financial secthat economic activity would decelerate throughout the euro area in both 1999 and 2000. For the EU as a whole, including the four non-eurozone countries, the OECD forecasts growth of 2.2 per

cent this year and 2.5 per

per cent in 1998. However, some independent economists think the outlook for the 11 euro-zone countries is substantially weaker. Lombard Street Research. in its January international review, describes the eurozone's mix of fiscal and monetary policles as "absurdly deflationary", and forecasts growth in the current year

pects for future growth will be crippled unless fiscal constraints imposed by the

strong deflationary forces Maastricht treaty are looswere likely to restrict Japaened. Meanwhile, the Confederation British Industry the employers' organisation - recently cut its forecast for growth in the EU's biggest non-euro economy to 0.7 per The OECD also forecast cent for 1999.

Adding to the problems of slower growth, global trading tensions are increasing. The US, Chile, Brazil and the EU are considering whether to follow Taiwan and India in protecting domestic steelmakers against alleged cent in 2000, down from 2.8 dumping by other countries; the US is becoming increasingly bellicose towards Japan on a range of issues, including steel; and the US is threatening punitive tariffs against a range of EU goods in February unless Brussels backs down in a row over banana trading. All these tensions are likely to worsen as economic growth slows, though none has so

far reached the point of no

There is also a clear danthat Asian economic instability will spread to emerging markets in other parts of the world. Financial market concerns about this reaction to Brazil's decision to devalue its currency last month, although it was unclear how damaging the impact of the crisis would be on Latin America and the

rest of the world. Against this background, the longer-term impact of the euro launch remains

The weight of opinion is on the side of those who think that the political capital invested by Europe's leaders will ensure the euro's survival, in spite of the asymmetric strains that may be inflicted by a single interest rate superimposed on slowing growth and high unemployment. But there are others who think that Europe's understandable euphoria about the successful technical launch of the new currency has disguised

companies' unreadiness to deal with the strategic issues it raises - notably how they can maintain competitiveness now that governments can no longer do it for them by depreciating the national

"Companies are going to

have to make hard decisions

on competitiveness now that there can be no devaluations, and I would expect that to start coming through towards the end of the 12month period," says Fields Wicker-Miurin, a vice-president of A.T. Kearney's financial institutions group and

former director of strategy at the London Stock Exchange. "Talking to chief executives and chief investment officers at companies and investment institutions throughout Europe shows there is still quite a lot of work to be done before we can say to what extent 1999 will be the year of the successful euro launch.

One trend that is likely to continue is the defensive merger across European bor-

ders, as companies huddle we know that there are some together for comfort in the face of the increasingly continental market and the growing tendency among judge their portfolios against Europe-wide rather than country-based benchmarks. However, it remains to be seen whether Europe's may happen very slowly at largely left-wing govern-

likely to accompany cost-cutting rationalisation. More immediately, companies operating in more than be little time for celebration, one euro-zone country are already coming under pressure to harmonise prices as price transparency - one of the great benefits to consumers promised by proponents

with high unemployment,

will be willing to counte-

nance the job losses that are

begins to bite. "One of the great advantages of the single currency is that prices become more countries because you can directly compare them, and

of the single currency -

industry segments where prices vary by a factor of two," says Christophe Maier-Roth, a vice-president at Arthur D. Little, the consultants, in Munich. "We are aware that companies are already coming under pressure to equalise prices. It first, but after a while it will

ments, already struggling go much faster." So companies this year will have to pick their way between a host of problems. If they succeed, they will make money, or at least stay in business. But there will because the next big problem is already looming.

On January 1 next year, we will find out whether those who claim the impact of the millennium 'bomb' on the world's computers has been exaggerated are right. If they are wrong, the chaos caused by computers which cannot recognise 21st century dates will make this like a vicarage tea party.

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eyes will be fixed on further consolidation

R&D costs and the need to gain critical mass are changing thinking

executives everywhere this year: has the much-touted consolidation of the drugs industry begun in earnest?

The dying moments of 1996 promergers, all involving European companies. In France, Sanofi and Synthelabo joined forces to cre-Astra of Sweden agreed to create the third-biggest drugs company by sales, and Hoechst of Germany and Rhône-Poulenc of France said they would form the largest life sciences group.

Several factors appear to have hazards of merging are occasionally outweighed by the potential benefits of gaining critical mass

will be taxing pharmaceuticals single company has more than 5 per cent of market share.)

The first, as far as European companies are concerned, is access to the US market, where the fastest growth and the most duced no fewer than three big succulent margins are found. Last year, on the back of double-digit sales growth, the US drug sector outperformed the ate a company with a market S&P 500 by 19 per cent, rising 50 capitalisation of \$30bn. More sig-nificantly, Zeneca of the UK and according to BT Alex Brown. Warner Lambert, Schering-Plough and Pfizer were star performers. In continental Europe, by contrast, pharmaceutical companies rose only 19 per cent, underperforming the European market by 7 per cent.

German, French and Swiss companies, whose sales tend to be concentrated in Europe, are in danger of missing out on the

One question, above all others, in a fragmented industry. (No world's most lucrative market, making it more difficult to plough adequate funds back into research and development.

The risk is that, if they do not act, they will fall further behind. Hoechst and Rhone-Poulenc cited as a reason for merging their ability to sell both .companies' products through a combined -and expanded - US salesforce in an effort to gain market share. Astra and Zeneca said much the

The second reason for consolidation is the escalating cost of R&D, thanks largely to the proliferation of new technologies for discovering disease mechanisms and potential drugs. So demanding has R&D spending requirements become that even the biggest companies, such as Merck, Pfizer, Bristol-Myers Squibb and Glaxo cannot hope

compete across every disease

A third reason that size matters is the growing cost of marketing, particularly in the US where sales are being fuelled by direct-to-consumer advertising, including expensive television campaigns. Although it will be some years before such practices become widespread in Europe, drug companies everywhere will have to spend more on creating both product and brand aware-

Perhaps the most telling push towards consolidation is provided by what some analysts regard as a growing gulf between the implied valuation of several companies and their true earnings prospects. In the UK, for example, during 1998 the average p/e rose from 27 times prospective earnings to 38 times

Many companies face looming patent expiries and, with compe

tition around new drug launches intense, it is not clear whether all a hostile takeover kill the golden have the necessary products to goose by alienating scientists and replace lost earnings. One way of squaring the circle is to cut out lions of dollars of goodwill to be expenditure by selling the combined output of two companies across a single cost base.

The result is that this year is almost bound to see more merg-ers. But there could be several brakes on wholesale consolida-

Most obviously, 1998 showed how hard it was to pull off a drugs merger: Glaxo Wellcome and SmithKline saw their attempt at union interrupted by managerial squabbles and clashes of culture. American Home Products' merger talks came unstuck with two companies, first SmithKline and then

If mergers of equals are tricky, so are takeovers. The assets of drug companies reside largely in

managers, but it also creates bilwritten down.

Yet, even if wholesale consolidation does not materialise, market expectations of merger activity should be enough to keep the sector buoyant, argues BT Alex

Pharmaceuticals should also benefit from being seen as a defensive stock in times of economic downturn, with earnings relatively impervious to recession. In the US, drug sales are predicted to continue their double-digit expansion in 1999. Even in Europe, where the industry has had little success in battering down price regulations. the sector should grow by 5 per cent. Only in Japan, the world's second-biggest market, will

about 7 per cent

Analysts are also experting a series of new drug launches to keep investors interested in the sector. These include Merck's much-awaited Cox-2 inhibitor. Vioxx, for arthritis: Smithkline's Avandia for late-onset diabetes. Roche's Xenical for obesity: Glaxo's Relenza for flu.

Many of these drugs share with Viagra, Pfizer's sensation of 1999, the potential to stir public interest. In the US, the launch of many such products will be accompanied by aggressive marketing campaigns. In Europe. governments will watch nervously to see how hard patients clamour for these premit

priced products. One thing is clear. The market has put a lot of faith in the ability of drug companies to deliver. It will quickly grow impatient with those that cannot.

AVIATION by Michael Skapinker

National flags keep flying

Alliances will find favour while governments take a firm stand against cross-border purchases and mergers

Airlines would merge and

Germany, and the combined company would buy Singa- British prime minister sold pore Airlines, Scandinavian BA to private investors, Airlines System, Varig of argued that the airline had a Brazil and Air Canada. Air duty to fly the flag. France would spend some of the US or Continental, but airlines," says Don Carty, would choose one or other.

This would happen for the same reason that oil, pharmaceutical, vehicle and tobacco companies are mergare constantly under pres-

11

But national airlines will no transatlantic or transpacific acquisitions - because governments will not allow 49.9 per cent of an EU airline. In the US, no foreigner may own more than 25 per cent of the voting stock of an

The US government is conindustries is not possible.

industry should be leading elling with another. the drive towards globalisainvolve dealing with dozens of nationalities, currencies by the end of the year. and languages and transacross international bound-

The problem is that, even includes SAS, Thai Airlines, partners.

In any other industry but when they are privately aviation this would be the owned, airlines are widely year in which national regarded as national propchampions disappeared. Brit- erty. When BA, a privatelyreplace the fragment of the then gobble up Finnair, Union Flag on its tailfins around the world, there was United Airlines would an uproar in the UK which merge with Lufthansa of has still not abated. Even Lady Thatcher, who when

"There are no flag chemitime deciding whether to cal companies or flag hotel together. merge with Delta Air Lines companies, but there are flag

American's chairman. Yet airlines have come under pressure to become global corporations. Their most important customers, nals when they change

The airline industry's not disappear. There will be answer has been to form alliances. These are not mergers, although airlines do sometimes purchases minorthem. In the European ity equity stakes in their alli-Union, no non-European ance partners. Instead they investor may own more than are agreements to co-operate - to schedule flights, airport lounges and terminal facilities so that passengers can treat partner airlines as sin-

gle entities. If a customer's home airsidering raising the foreign line does not offer flights to a particular destination, its cent, but this will still not alliance partner probably permit outright acquisition will. The alliance partners of an airline. The sort of con- also usually merge their fre- France. solidation seen in other quent flyer programmes, so that a customer earning Why are airlines treated points on one partner's differently? Surely, if any flights can spend them trav-

The world's airlines are in tion it should be aviation - the process of forming four membership should be clear The biggest and best-established grouping is the Star hansa and United and also

Air Canada and Varie of Brazil. Other carriers set to join Star this year are All Nippon Airways of Japan, ish Airways and American owned enterprise, decided to Air New Zealand, and Ansett of Australia. Singapore Airlines is seen in the industry Iberia of Spain and Qantas of with ethnic designs from as another candidate for membership of Star.

> Three of the Star Alliance members. United. Lufthansa and SAS, have received antitrust immunity from the US government. This means they can discuss the pricing of their tickets, allowing them to make special offers

The second large alliance, Oneworld, will announce how it plans to operate early this year. Led by BA and American, it will also include Canadian Airlines. Qantas, Cathay Pacific of ing across national bound- international business trav- Hong Kong, Iberia, Finnair aries. Aviation is a high-cost ellers, want to be able to fly and, probably, Japan Airbusiness, requiring billions anywhere in the world with- lines. BA and American of dollars of capital invest- out having to check in their have decided to delay their ment. Price competition is luggage at every stopover, or application to the US authorferocious and profit margins travel between airport termi- ities for anti-trust immunity. although they would still like this status in a few years' time. However. the Oneworld partners are likely to code share - which means they will sell seats on each other's flights - and com-

> bine their frequent flyer pro-The third alliance will be based on the oldest existing international partnership, between KLM of the Netherlands and Northwest Airlines of the US. The alliance. which some of its members have suggested should be called Wings, will also include Alitalia, Continental of the US and, possibly, Air

The French carrier already has a partnership with Continental, but also has a link-up with Delta. Air France says it will choose between the two this year. Its choice will be important whose everyday activities large groupings, whose final for Delta. The US carrier heads the fourth grouping, which also includes Swissair, Austrian Airlines and Sabena of Belgium, but Alliance. This is led by Luft- which badly needs more members, including Aslan



AEROSPACE AND DEFENCE by Michael Skapinker

loak-and-dagger thriller

BAe and GEC deal ruffles the feathers in a sector gripped with intrigue, tie-ups and counter-proposals

In the FT recently John Kay, started. The initial plan was and Aerospatiale began By Christmas they appeared director of the Said Business School at Oxford University, bemoaned the lack of British novels about business.

planning to rise to his chal- France - to merge. Europe's aerospace and defence industry might make the perfect subject. It is not only that the principal characters are all inter-

national arms traders, some involved in secretive deals in the Middle East.
It is also that the tale is packed with secret meetings. broken promises, unexpected liaisons, interventions by

finance ministers and presi-

dents and the clash of national nassions The story starts with the fall of the Berlin Wall and the realisation by governments on both sides of the Atlantic that, with the Cold War over, they would not need as many jet fighters,

missiles and tanks. The US government costs. As a single corporate instructed its defence indusentity it would control all its try to consolidate. Arms companies in the US merged and took over one another until there were only a handful left of any size - Boeing, Lockheed Martin, Raytheon and Northrop Grumman European governments

for the three biggest European companies - British Aerospace, DaimlerChrysler Aerospace (Dasa) of Ger- decided they did not want If any aspiring writers are many and Aerospatiale of Aerospatiale as part of their. BAe be interested in buying either. It had hoped to merge

pean Aerospace and Defence government. They said a Company, which would also include Airbus Industrie. Airbus, the world's second biggest civil aircraft maker, is not a company. It is a Groupement d'Intérêt Economique. This is a French

legal construction which does not publish accounts. Any profits and losses accrue to its four owners, BAe, Dasa, Aerospatiale and Casa of Spain. BAs and Dasa, which are

suade state-controlled,

Airbus would be better off as a limited company. As a loose confederation. Airbus has little idea of its manufacturing, and would be able to achieve savings which would allow it to compete more effectively with

Boeing, its larger rival. Aerospatiale and Casa eventually agreed, and the transformation of Airbus demanded that their defence was due to go ahead by the companies did the same, end of the year. That, howwhich was when the fun ever, was before BAe, Dasa on with their merger talks. had, for the moment it

talking about how to combine their defence interests. BAe and Dasa soon government shareholder

would have different prioritles from a private one. A private shareholder would be happy to see an . expensive and inefficient factory closed. A government, worried about the resulting unemployment, would not. The French government responded by encouraging

the merger of Aerospatiale with Matra, the defence arm of the privately owned privately owned, have been Lagardère, which would attempting for years to perment's stake in Aerospatiale Aerospatiale and Casa that to less than 50 per cent. Not good enough, said BAe and Dasa. The French state would still be too powerful. If the French government was not prepared to privatise Aerospatiale completely,

BAe and Dasa would merge pany could join when its government removed itself from the business.

Fine, said the French. In that case we will block the BAe and Marconi merged it transformation of Airbus. BAe and Dasa, ignoring this show of petulance, carried

ready to announce details. General Electric Company of wanted to talk about it - a son-CSF and Dasa were

cussed for years. Howls of "Perfidious Channel. Dasa was furious. Its objection was that the BAe Marconi combine would be far the higgest component in any European defence

restructuring. A merger of the enlarged BAe with Dasa would not be a partnership of equals. It would give the appearance that the UK had taken over the German aerospace industry. There might appear to be a certain justice to this after all, German companies have bought much of the British car industry.

Defence is different, however. Governments are the defence husiness's customwithout it. The French com- ers. If the German government objected to such an arrangement it could make

life difficult for BAe. Dasa threatened that if would resume start negotiations with Aerospatiale. whose government stake

But then came a twist. The defence electronics group, which is 40 per cent governthe UK intervened. Would ment-owned, was not pleased group as long as it was still GEC's Marconi defence sub- with GEC. Before long there They would form the Euro- controlled by the French sidiary? BAe certainly were reports that Thom-

> tie-up between the two Brit- talking to each other. ish groups had been dis-. Unabashed, BAe and GEC announced they were going ahead with their tie-up. BAe Albion!" went up across the insisted that the formation of the European Aerospace and Defence Company

remained its top priority. The continental companies were suspicious. What was to stop the British group going off and doing a deal with one of the US defence companies - as GEC had thought of doing before?

What if the UK, which would now boast a defence group with a bigger market capitalisation than many of the US giants, lost interest in further restructuring?

Could the German companies still get together with the French groups in spite of their government involvement? It looks unlikely. Imagine having to explain to DaimlerChrysler's US shareholders that the French government was nothing to worry about. It's socialist, sure. With some commu-

क्षेत्रे सम्बद्धाः

nists. Perhaps not. How will it all end? You'll have to read the book.

AUTO INDUSTRY by Haig Simonian

More to follow road to the altar

More acquisitions and mergers seem inevitable at a time when demand is expected to remain mixed Two predictions can be made moved to Volvo of Sweden around 360,000.

with uncharacteristic cer- and Germany's BMW as the tainty about the world motor only two significant special-

in the wake of last year's creation of DaimlerChrysler herame sharper than ever.

Speculation about further consolidation of the world's 40 or so vehicle makers in the face of overcapacity and cut-throat competition hasgained force astonishingly fast. But, rather than the mergers among mainstream marques which did the rounds in 1998, this year's more sophisticated prognostications are focusing on deals between complementary mainstream and special-

With Dalmler-Benz already

First, further consolidation might be led to the altar. clear its wishes. This mouth seems inevitable. Second, the company admitted it had the apparent paradox hired J P Morgan, the US between strong demand in investment bank, to advise manufacturers as executives. But, with about 46 per cent some markets and middling on strategic options. have been forced to re-examprofitability looks set to Although attention has ine their previous assumpfocused on the possible dis-

biggest subsidiary - a full merger is not discounted. misguided predictions of desire to remain indepen- side, too. But Flat of Italy is in Japan, A massive gap has bigger - in cars - and more merger. profitable than Volvo, even allowing for the heavy losses likely to be racked up by its ish and Italian companies in at the other extreme. While the UK. BMW made about

Swedish manufacturers are ist manufacturers which widely perceived to be lacking the economies of scale Volvo has already made now thought to be essential after the Daimler-Chrysler deal. That alliance has sent a shock wave through motor tions about optimum size and economies of scale. posal of its car business - its

A move at Volvo could come soon. Ford and Volks- are no longer keen to put so mixed picture. Few observ-BMW has been far more wagen have both courted the coy. Top executives such as group. Ford's interest is Wolfgang Reitzle have restricted to cars; VW likes rammed home its ability and the look of Volvo's big truck consolidation are also strong dent. Admittedly, it is both in the market for a full The outstanding comple-

makes such a deal as elegant

But both the German and complementarity alone will not be the deciding factor in Volvo's fate. At BMW, by contrast, profitability, notwithstanding

Rover, and convincing protestations of independence suggest a deal is less likely. of BMW's shares held by the Quandt family, some doubts will remain about BMW's long-term future amid persistent rumours the Quandts many of their eggs in one hasket.

emerged between Toyota and Honda, the country's arresting their precipitous two strongest carmakers, mentarity between the Swed- and Nissan and Mitsubishi of a powerful keiretsu of lenge of chronic overcapa-

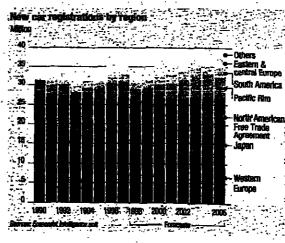
The chances of further

tural barriers - in mind, much weaker shape. Persistent rumours suggest Nissan may be sucked

into a deal with Daimler-Chrysler or, less likely, a consortium of foreign carmakers. Whatever the outcome, its chances of continuing in its current, debt-ridden and ummrofitable form, with falling sales, seem slim. On the demand side, 1999

like the previous year, will probably present a very ers expect many of Asia's battered markets to recover significantly in the coming months. While vehicle sales in

South Korea show signs of 700,000 cars last year, Rover a fit as Daimler-Benz and linked industrial and finan- city. Even in Japan, where halting attempts to tackle. In the US, meanwhile, the added a further 500,000. Chrysler. But with other cial companies, many of Ms- registrations of new cars Brazil's yawning budget defi- strength of the economy will



last year, the signs are that of the high interest rates manufacturers are still only which have pole-axed car starting to trim capacity at demand. the edges rather than under- Europe and the US are, on

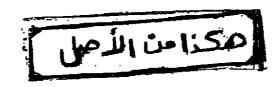
take fundamental restructur- the face of it, much more promising. European The year has begun even demand rose by 7 per cent to more depressingly for Brazil, 14.34m units last year, far by far the biggest market in more than analysts' predictions 12 months ago. South America. Sales and production fell by more than. Although the outlook is for a declines, last year's rational- 20 per cent last year. The slight decline this year, isation of the country's five devaluation of the real this demand will remain quite carmakers to two has so far month may undermine confi-high by historical standards, ailing Rover subsidiary in products and geography Mitsubishi has the support shirked the underlying chaldence further. That could in spite of forecast softening stymie the government's in the UK and Italy

betrothed, attention has Volvo, by contrast, made suitors - and potential cul- san's traditional allies are in dropped by about 15 per cent cit - the fundamental cause be the decisive factor as the

long forecast downswing fails to materialise. Sales of cars and light trucks may slip slightly below the 15.6m of 1998 - the second-best year on record. But even a decline to about 15m would still mark the sixth succes if sive year that sales have been at or above that level.

The trouble in both regions - especially Europe - is that lively sales will not necessarily translate into strong profits. Spiralling marketing and distribution costs, and cut-throat price competition - often from newer Asian brands - will continue to erode margins for most manufacturers. Moreover, the advent of greater price transparency offered by the euro could exacerbate matters by squeezing profits in markets where margins have been traditionally high as consumers become wise to cheaper prices across the border.

order.
Such a background makes further consolidation, both among vehicle makers and among leading component groups, likelier than ever. If 1998 is anything to go by, however, rumours will outweigh the actual transactions by at least 10 to one.



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GLOBAL BUSINESS OUTLOOK

STEEL by Kevin Brown

Softer markets, tougher warnings

Many producers are expected to report losses as the industry struggles with the continuing fall-out from Asia's problems

When sober commentators the US, the next biggest have fallen sharply. Accordsuch as Ruprecht Vondran, resident of the German Steel Federation, start about 300m tonnes of steel, alking about entire conti-some 40 per cent of global ents "sinking into crisis," it s clear that something very serious is happening.

In the US, Europe and Japan, steelmakers are warning policymakers that the world's most basic industry is facing a crunch as overcapacity, export dumping and plunging prices combine to push the industry towards disaster.

The widespread angst is caused by a collapse of demand in Asia in the wake of the rolling economic crisis that has gripped the conti-nent. For steelmakers, booming south-east Asia had been the single biggest market, ahead of both the US and Europe. In 1997, for example, the region imported 75m tonnes of steel, compared

OIL by Robert Corzine

But Asia also produced

output. And as Asian consumption falls, much of that is being diverted to western Europe and North America. Meanwhile, European producers who used to export to Asia are diverting to the US, to be big losses at many and African and east Eurosteel companies. British pean mills are selling to both. This is happening as the worldwide industry tries to absorb a huge increase in exports from eastern Europe, caused by cuts in both military and civilian demand following the collapse of the

former Soviet bloc. The distortion of trading patterns pushed up imports in both the US and the EU by 50 per cent or more in 1998, and last year is expected to have been the first in which the EU was a net importer of steel. Prices

ing to MEPS, a UR steel conprices for hot rolled coil steel, a benchmark product used to make industrial products, fell from more than DM650 per tonne at the heginning of last year to less than DM525 in September.

Steel, one of the world's most efficient producers, has already forecast a loss for 1988. Germany's Salzgitter, Belgium's Arbed and many others are also likely to lose money, according to Paribas, the Paris-based broker. Hence Mr Vondran's

strongly-worded warning about the prospects for the industry. Those steelmakers who had customers in Asia are, understandably, seeking customers elsewhere, he told the Stahl 98 conference in path of litigation themselves. Dusseldorf. "What is not

TELECOMMUNICATIONS by Alan Cane

understandable, and is, indeed, illegal, is when they bid at prices well below their own manufacturing cost," he

"They turn up here with prices that are up to 25 per cent lower than those of local suppliers. So we have wanton damage here, too. It is bardly surprising when hard-hit companies and their federations go on the war-We have no alternative."

year, and Europe will produce about 7 per cent less this year. But this is far too little to overcome global overcapacity. Some analysts think that

The big steel-producing

regions have reduced output

in response to the trading

tion by about 12 per cent last

the only long-term answer is rationalisation, especially in Europe, where steelmaking remains organised on a investigating formal anti-

"European mills remain Japan, Russia and Brazil. resistant to production cuts, forced to take drastic steps as losses mount in the first half of the year," says Terry Sinclair, steel analyst at Salomon Smith Barney in

London.

As the problems have mounted, the industry has turned more and more to demands for protection. Taiwan started the process in June with anti-dumping duties against cheap H-beam imports, used in construction. India followed in November with duties against cheap products from Russia, Kazakhstan and Ukraine. Chile and Brazil are thinking about anti-dumning measures. But the big threat to trade lies in Washington and Brussels.

A big campaign by US producers attracted substantial congressional support at the end of last year, and prompted a White House rescue package in early January. Although the Clinton administration resisted pressure for import quotas, it offered \$300m in tax breaks to help beleaguered US companies stay in business, and claimed that Japan was ready to implement voluntary restraints on exports.

The administration is also

Administration officials, but they are likely to be led by Robert Rubin, the powerful treasury secretary. have argued firmly against tough unilateral action because of the danger of upsetting the recovering economies of Asia and angering trading partners, particularly in Europe, with which the US is already in dispute over bananas and animal growth hormones. However, the report failed to satisfy Congressional back-

ers of the steel producers. "You have a steel industry haemorrhaging with the flooding of our markets with foreign dumped steel, causing the loss of thousands of jobs, and the administration is applying a small Band-Aid," says Republican senator Arlen Specter, chairman

of the Senate steel caucus. The US package also upset both the Japanese and Europe. Tokyo vehemently denied that it had agreed voluntarily to reduce steel exports to the US, and the it would look at the terms of ever, Eurofer, their trade will tell you, is not a association, said it would not one-way bet.

largely national basis. dumping cases against bring an anti-subsidy case for the time being to avoid aggravating tensions

Meanwhile, European steelmakers cheered as the Commission announced that it would start formal investigations into Eurofer's complaints of dumping of hot rolled coil - used to make industrial products - by several Asian and east European countries. Eurofer is also planning further antidumping complaints against heavy plate and wire rod imports from countries including China, India and

The danger is that protec-

Turkey.

tionist measures driven by local anxieties will get out of hand, ending in a trade war. But there are grounds for hoping that the worst is over. Imports to both the EU and the US are thought to have levelled off in the last two months of 1998, partly because of the deterrent effect of protectionist talk in both continents. Many anawill begin to rise towards European Commission said the end of this year, Indeed, most think that the red ink the tax breaks. European will disappear from big steel producers said the tax companies books next year. breaks amounted to a sub- All of that, however, sidy which probably depends on the Asian prob-breached World Trade lem becoming no worse. Organisation rules. How- Which, as any economist

er thriller

firmer prices

of larger companies positioning in

year running.

financial pressure is also causing companies that did tor. not take part in last year's

uncertain at best. The facerbated last year's decline a collapse in Asian demand due to the regional financial crisis, rising Iraqi exports. an uncertain global economic outlook, a surplus of ucts and erratic compliance by members of the Organisation of Petroleum Exporting Countries to promised production cuts - have yet to

The view among oil com-Most appear resigned to a prolonged period of low crude prices, with some even arguing that the present more than merely the nadir of the commodity cycle. They say the global industry may be facing a fundamental restructuring and realignment, with low-cost producers, especially those in the Middle Rast, likely to reassert their dominance in comhigher cost areas, such as onshore North America and the North Sea.

They point to the wave of corporate mergers in the second half of 1998 as evidence that the biggest companies may be positioning themselves for a possible largescale opening of the Middle East to foreign capital. Iran is in the midst of opening its upstream exploration and production sector to foreign investment, and many expect Kuwait and Saudi Arabia, holder of nearly a take advantage of depressed quarter of the world's proved petroleum reserves and the biggest crude producer and as crude prices stay low exporter, eventually to follow suit, albeit on a more ators will probably be selective and possibly deterred by cash flow conrestrictive basis.

man of Royal Dutch/Shell, acquisitions. the Anglo-Dutch oil group, recently described Saudi tion short of mergers are Arabia as the "big question also expected. Regional mark" facing the internamergers, in which one oil tional oil industry. From a company assumes operation purely technical view, it of the assets of another in a doesn't need foreign investment (in its upstream industry) with any sense of costs are not in head offices urgency," he says. But Mr but in the operating units. Moody-Stuart says Saudi Arabia would benefit from ration and production sector the "competition and inge in Europe and the US is

uncertain Corporate mergers are seen as evidence

readiness for Middle East policy changes Oil prices and industry that Saudi Arabia would be consolidation look set to better off in the long term if

dominate the global petro- it contrived to keep oil leum industry for the second prices depressed for several years. The aim would be to After a year in which force out marginal produccrude prices tumbled by ers, so that Saudi Arabia more than one-third to touch would eventually be able to 12-year lows, many oil com- increase output and capture panies and producing coun- a growing share of the global tries are desperately seeking market with the help of forsigns of a recovery. The eign investment in its upstream oil production sec-

But such a strategy would wave of mergers to question require a radical overhaul of whether they would benefit the Saudi domestic economy from a merger or takeover. and political system. And it The outlook for a sus- does not take into account tained price increase is any action that "high cost" producers might take, such tors that triggered and exac- as slashing tax rates to encourage output and further development.

Even as western oil companies react to low prices by embarking on ambitious cost-cutting drives, many in the industry argue that the actions seen so far fall well short of what would be required if senior executives firmly believed that oil costing \$10 a barrel is here to

Consolidation will also be panies is generally bearish. a prominent theme this year. Investors and competitors will be watching carefully how the three big mergers announced last year - BP downturn may be much Amoco, Exxon Mobil, and Total PetroFina - are implemented, and whether promised cost savings and "synergies" emerge at the expected

> It is unclear how far the present trend towards consolidation will work its way industry executives and analysts expect further tie-ups and takeovers, especially if they can be done on an allshare basis. But, even so, the benefits from deals further down the chain may be less compelling than those already announced, while the choice of prospective

partners is greatly reduced. Few in the industry expect to see many cash bids. Companies such as Shell, which still have substantial cash piles in spite of much reduced cash flows, could asset values to make selective acquisitions. But as long cerns and investor resistence Mark Moody-Smart, chair- to rights issues to finance

Other forms of co-opera-The independent oil explo-

nuity that a foreign pres expected to come under intense pressure this year if Some pundits have argued crude prices do not recover. the Financial Times.

Telecommunications is in sys of Cambridge, notes that fold in the past decade.

brutal, unpredictable transi- the number of fixed-wire tion. The new millennium operators, mobile operators. will close the door on 100 satellite operators, equipyears of the old order characterised by the dominance of a handful of state-owned monopolies, high prices, costly but inefficient techincrease in a year. nologies, and an innate con-

The new telecoms is virtually the reverse. It is distinguished by competition, consolidation, falling prices and an armoury of new, low-cost technologies which promise unprecedented speed and transmission capacity.

Two critical drivers are emerging. First, the internet, which is creating huge demand for data transmission. It is already responsi- include the planned \$32bn ble for an explosion of merger of AT&T, the biggest investment in submarine US long-distance operator networks capable of carrying unprecedented volumes of data across the Atlantic and elsewhere. In the US and the UK, the volume of data car- ish Telecommunication with ried over national networks a view to creating a new, already exceeds voice traffic. global communications net-Second, mobile telephony. Carried over terrestrial or satellite networks, mobile telephones threaten to displace the fixed variety for

first few years of the next century. . The next generation of AT&T. mobile phones, known as UMTS in Europe and set for launch around 2001, will be able to receive and send text, data and video images in addition to voice it threatens to revolutionise personal

most voice calls within the

communications. recent interview: "Our vision is very much towards one of UMTS becoming the mobile component of the 'information society'. Users and without the constraint of today's narrowband (low capacity) services."

A number of observers believe it will be the convergence of the internet and mobile telephony which will falling, they are collapsing."
underpin the industry in The data networks that future, providing its customers with any information, any time and anywhere.

majority of the world's teleemergence of new challengers on an unprecedented place", published by Analy- has improved a thousand

ment manufacturers, regulators and service providers now numbers about 4.000 organisations, a 15 per cent

David Cleevely, chief executive of Analysys, says: "As telecoms companies seek to position themselves in newly-liberalising markets they are forming an intricate web of alliances, joint ventures and partnerships."

But the emergence of new competitors is being moderated by waves of consolidation which have produced some of the world's largest acquisitions. Examples and TCL the large US cable television operator. At the same time, AT&T is planning a partnership with Britwork based on internet tech-

In the US, mergers and potential mergers between "Baby Bells" – regional operating companies - threaten to re-create the Bell System, 15 years after the break-up of

Much of the merger and acquisition activity in the industry is being driven by the high values attached to promising new telecoms operators, often years before they are due to make profits. The stratospheric growth in the UMTS Forum noted in a Telecom is a case in point.

Analysing the European market, investment bankers Morgan Stanley Dean Witter telecoms so much?" - going will be able to have full on to answer: "Demand is access to their internet and growing and costs are falling desktop without having to faster than prices. It is that make a fixed connection, simple. In addition, over the past year the industry has moved from incremental changes to quantum changes. Demand is not merely growing, it is exploding, and costs are not just

The data networks that companies such as MCI WorldCom, Sprint, AT&T/BT and others are constructing The liberalisation of the will be able to deliver voice and data at up to 70 per cent coms markets - set in less cost that traditional motion by deals struck at networks because the data the World Trade Organisa- hubs and routers they use tion in Geneva in 1997 - is have a significantly higher continuing to encourage the price/performance than conventional telecoms switches. The capacity of the scale. The latest edition of fibre optic cabling which World Telecoms Market- conveys the data, moreover,

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SURVEYS PROGRAMME AND INDEX

Surveys are published most days of the week with the FT. Topics include financial markets, global Industries, business management and developed and emerging countries. A list of the following week's surveys is published every Monday in the Guide to the Week Ahead on the back page of Section Two of

Prospects for Out with the old, in with the new

Huge and rapid growth in mobile phones and the internet is fuelling transition

There are concerns, however, that the collapse in pricing may outstrip both falling costs and new revenues generated from advanced services, leaving operators, mobile industry and decided especially the new carriers. seriously under-financed.

"International

idly over the next two to five requiring a five-to-10-year present.

Simon Sherrington and Michael Denmead of Analysys point out in a study of w operators in Europe:

return on capital employed." The mobile sector seems just as fraught with danger. Scott Arnold and a group of McKinsey consultants recently analysed the US tough times lie ahead: "Many executives are only now recognising the magnitude of the change facing their industry. Our analysis suggests that net earnings and for some players could long-distance call prices are shrink to between 25 and 30 likely to continue to fall rap- per cent of revenues over the next three to four years." years...this is a bleak This is compared with some outlook for any operator 45 per cent of revenues at

The world's top ten

Company	Country	Market c (St
SBC/Ameritech*	US	174.
TSTA	US	148.
Bell Atlantic*	US	143,
MCI WorldCom	US	137.
NTT	Japan	121.
Vodatone AirTouch*	UK/US	~110 .
Deutsche Telekom	Germany	105.
British Telecom	UK	96.
Bell South	US	90.9
France Telecom	France	89.2

Software Winner



themselves, once again, one of the winningest teams in Formula One history. But that's no surprise to us.

Since 1966, McLaren has won eight Constructor's World Chargoonstatos, ten Onver's World Chamusonships and more than 100 Grands Prix, Not to mention three Indianago hs 500 wms, the LeMans 24 hour



"To win consistently, you have to have the best. That's why we've teamed up with Computer Associates," says Ron Dennis, Managing Director for McLaren International Under a technology partnership. the West McLaren Mercedes Formula One Team and CA have developed an impositive new solution that gives the racing learn's engineers the ability: to easily assess and analyze the

Formula car's performance data Built around CA's Unicerter ING . the program can monitor the telemeby data that the race car transmits to the ods while it's racing Everything from throttle response to brake pressure to even the G-forces evented on a driver. Unicenter TNG than displays the data through its award-comming

3-D. Real World Interface". Thave a tayonte saying, that is, to come in second is to be the tirst of the losers," says Ron Dennis. "At McLaren we're interested only in winning, and we associate outselves only with wanning companies With Computer Associates and McLaren, we have two winning companies shanno a common qual and common partnership."



FOOD AND DRINK by John Willman

Jitters will put brake on growth

Larger groups may decide that this is the time to spread their risks across a number of markets as the going gets tougher

In an era of mega-mergers, such conditions to spread the global food and drink their risks across several industry has been curiously short of the sort of enormous deals that have characterised sectors such as banking. telecoms and pharmaceuti-

Eighteen months ago. Grand Metropolitan and Diageo, the world's largest spirits group, in a move widely seen as the first in a wave of consolidation in the drinks industry. And the sale by Unilever of its speciality chemicals business in 1997 raised expectations that the Anglo-Dutch consumer group could spend up to £10bn on an acquisition in the food sector.

Last year, however, saw no M&A activity on such a scale in either food or drink, though many much smaller deals were completed as larger groups streamlined their portfolios and strengthened their positions in core businesses. But the merger announced this month of British American Tobacco and Rothmans International to create a £15bn tobacco group has raised expectstions that 1999 will see some major consolidation in the consumer packaged goods

One factor that will spur that process is the econor says Steve Gregg, of ABN Amro Corporate Finance, part of the Dutch banking group; "It will be a demanding year, with not a lot of growth. Consumers are ititery, retailers are increasingly tough on their supplienvironment makes it hard

Big international groups will be better placed under



Diageo has now had just over a year to fuse its two components into a single group, finding much higher cost-savings from the merger than anticipated. With dou-

Seagram, the world's num-

ber two spirits group, and

third-place Allied Domeco

terminated their discussions

on a possible merger of their

drinks interests last year

after failing to agree on a

structure. But many ana-

lysts expect that alliance to

resurface once Seagram has

digested its \$11bn acquisi-

tion of Polygram – perhaps

even later this year.

groups sell or exchange businesses that are no longer core to their strategies. PepsiCo, for example, sold Wedel, its Polish biscuit and chocolate subsidiary, last year - the better to focus on soft drinks and salty snacks in eastern Europe's largest midable More surprising, perhaps,

There is also likely to be

further portfolio rationalisa-

tion as large international

was the recent announcement that Cadbury Schwepwith similar mergers but by pes was to sell its soft drinks building alliances in particuinterests outside the US to lar markets - such as Tria-Coca-Cola. The UK group, a dos in France, a distribution strong advocate of managing venture linking Rémy-Coinfor value, concluded the treau, Bacardi-Martini and William Grant, the scotch returns in competing with Coke and Pepsi globally whisky distiller. Several are were less than could be also reorganising their earned by deploying the capoperations to compete more ital elsewhere. With valueeffectively in their most management gathering supimportant markets - as Seagram has done in a shake-up port among consumer groups, further unexpected that brings its leading brands under global management from the centre.

"These are capital-intensive businesses and people are looking closely at the returns." says Rory Maw of Schroders, the investment bank. "Unless there is proprietary technology involved or some other competitive advantage in making products, people are looking very hard at the capital tied up in manufacturing."

In the drinks industry.

Seagram and Diageo are among global food and drink giants hit by the turnoil in the emerging markets of Asia, the former Soviet Union and - more recently ble the spirits sales of its Latin America. Most. have nearest competitor, a netbeen able to contain the work that covers much of damage given that emerging the globe and a range of topmarkets often contributed only a fraction of sales and selling brands in most of the profit. Stocks have been main categories, it has forcompetitive reduced, credit lines tightened and marketing budge Rivals have responded not hacked back in the afflicted countries - particularly for premium brands which have

> Nonetheless most remain committed to these regions as the only parts of the world capable of delivering substantial growth in comparlson with the mature markets of Europe and North America. Those which have been involved longest in such markets - such as Nestlé and Unilever - also see opportunities to add to their portfolios as local food and drink businesses come under financial pressure from falling consumer

lost share to cheaper com-

Some have been hard-hit. however, by the gathering financial crisis - inevitably those most exposed to emerging markets, exposures that previously were seen as

FINANCE by George Graham

Loan pressures remain

Credit is still in ample supply, but some banks are taking a closer look at their margins

A great many bankers have learnt a lesson in humility over the last year. Progress in the measurement and management of risk had prompted the industry to begin boasting that it had shed the lemming-like behaviour that had so often led it from one lending disaster to the next.

The last year's turmoil has not shown up precisely the same flaws as before. In fact. the relative case with which banks international shrugged off difficulties in their Asian loan portfolios suggested that there was some truth in bankers' claim to be reformed characters.

But the losses sustained by so many leading institutions in Russia and then over the near-collapse of Long Term Capital Management, the hugely overleveraged hedge fund, showed a

Banks such as UBS, the group created by the merger of Union Bank of Switzerland and Swiss Bank Corporation, had to confess to "shortcomings in those responsible for aspects of risk management as well as in the decision making process both before, during and after the merger". "The evaluation and the ongoing management of risk positions were not carried out to the standards expected," UBS

If UBS appeared to be in a class of its own in the extent of its involvement in LTCM. it was far from alone in discovering risk management

shaken by the ease with which financial markets broke through the parameters envisaged by their market risk models, and by the sharp increase in the correlation between different markets, which removed some of the usual benefits of portfolio diversification.

also failed, in a number of At the same time, banks in many large economies most strikingly the US and the UK - now face the likelihood that the credit cycle has, finally, reached its bot-

Investments made with a

view to badging an exposure

In the US. Goldman Sachs calculates that non-performing loans for the multinacent of total loans last year, compared with 4.82 per cent a decade earlier. In the UK. a December survey by the Confederation of British industry found that, for the first time since September 1993, banks had seen the value of their bad debts increase, and expected the figure to rise significantly in the first quarter of 1999.

Many banks have already taken the opportunity to tighten the screws on their own lending, and at the height of last year's panic over Russia, LTCM, and Brazil. the threat of a severe cutback in credit availability appeared real enough to central banks to spur a round of interest rate cuts.

Fears of a credit crunch

Even those who avoided now appear to be muted, yet the biggest pitfalls were pressures are still in evidence which could lead to much tighter lending condi-

> Jenenese banks have to a considerable extent been forced to withdraw from the international bank loan market by their domestic difficulties. At the same time, some European banks have started to look more closely at the profitability of large corporate loans made at very fine margins over interbank borrowing rates. As a result, they are following the path blazed by some of the big-gest US institutions of slim-

ming their balance sheets. This does not mean an ll-out squeeze on the availability of loans, Bank credit remains a commodity in ample supply.

hortage of bank liquidity. There can be a shortage in narticular institutions but in aggregate there has always been a surplus," says Peter Gleysteen, head of global syndicated finance at Manhattan, the US

Vet the dynamics of loan pricing have shifted. With the bond markets warler than they were a year ago, borrowers are now having to accept loan margins rather closer to bonds.

In a tougher economic environment, the pressures for consolidation within the banking industry can only increase. The last year has seen a continuation of bank mergers in the US, with deals such as Bank of Amer-

ica/Nationsbank running along fairly traditional imes. but the grouping of Citibank and Travelers placing more and Travelers placing more for. emphasis on revenue he's increases and cross-selling sics; To the north, however, airy. Cenadian banks found their desire to merge - Royal with Bank of Canada with Bank 1998 of Montreal, Toronto-Domini interion with CIBC - blocked byth of

the government's concerns; be

over concentration. Japan's banks have been among the slowest to change, and their long-running crisis continues to take its toll. Nevertheless, there have been some signs of movement, and consolidation within the traubled industry remains like'.

In Europe, as in the US. in-market mergers have remained the dominant variety. The recently-announced merger between Banco Santander and Banco Central Hispano in Spain is likely to trigger more action in that country. Italy, Austria and Germany have all had their own examples and are expected to yield further consoli-

The pressures on banks in Europe come more from worsening margins in a low interest rate environment and from a slowly growing awareness of the need to deliver value to their longneglected shareholders than they do from the arrival of monetary union. Nevertheless, the likelihood remains high that the euro will at least catalyse consolidation. possibly giving a boost to

MEDIA by John Gapper

Focus on electronics

Publishers are having to keep an eye on the risk of declining advertising revenues

the best of times to he a traditional media enterprise. While new media companies such as America Online rise from strength to strength, the old ones look on envi-

Last year provided some hope for the large US enter- strate their grasp of the new tainment conglomerates Warner. The strength of the US economy caused a surge in their shares as fears over debt from earlier acquisi-

panies, it was an uninspiring year. The FTSE media sector lagged the FTSE All Share by 7 per cent after a poor 1997 amid worries over a slowdown in the British

The contrast with new media could not be starker. entry point to the range of information and electronic commerce on the internet. bounded ahead at the turn of

Rupert Murdoch, chair-man of News Corporation, sounded what was a comconcern eaarlier this month. In a speech in Singapore he expressed scepticism on valuations of new media brands In contrast, traditional

the stock market, this is not Associates, the US invest- invade protected territory. ment bank, found that media revenues grew by an average 12.5 per cent a year between 1993 and 1997.

The year ahead is likely to some of the traditional media companies to demonelectronic world. Without ther from investors' distilu-

That stricture applies particularly to the specialist data publishers such as Reed Elsevier and Wolters Kluwer that face an uncertain move to an electronic world. They must switch specialist publications into online data.

ticular, that has been an unhappy business so far. Although it has invested heavily in online databases such as Elsevier Science Direct, it has suffered from

Similar pressures are being brought to bear on financial information compatwo privately-held competitors - Bloomberg, and Bridge Information Systems, which has bought Telerate from Dow Jones.

Although these companies

already operate through real-time electronic networks, they could be underfinancial data via the intermedia have experienced solid rises in revenues in the net. That allows many

Viewed through the prism of 1990s. Veronis Suhler & smaller competitors to ing - against those in which

For the consumer publishing world, the threat to prosperity comes less from the electronic world than the impact of a very traditional see re-doubled efforts by occurrence: recession. Share prices have already suffered from fears of advertising

This effect has been seen New York Times Company, have experienced sharp falls in their shares, and in continental Europe

The challenges for broadcasters are less to defend against new technologies or external threats than to

This is one factor behind the lockeying for position in the nascent pan-European television market. Until now ples of pan-European enter-Dutch television producer Endemol standing out. But Stream digital platform involving News Corp and Telecom Italia, and talks in Germany on the re-capitalisation of Kirch Group illustrate the way European pay

television is developing. The European marketplace is increasingly pitting com-

Canal Plus, the French pay television group, has stakes.

mission's competition directorate, under Karel Van Miert, has taken a tough stance in helping to encourage such hattles. It has signalled that it wants to see at least two competitors in each national market.

market, the balance of power powerful broadcast cable networks is now altering. The broadcasting networks dented financial challes

The main reason is the gradual fall in network audiences as viewing patterns ate stations that command

The effect can be seen on CBS Corporation, which has held talks with CNN, the cable news channel, about combining their news operations. Meanwhile, the NBC network has been looking at ways to link itself with cable networks.

Cable emerged as one of the big winners of trends in both broadcasting and teleshowed the potential of cable as a local carrier of data and

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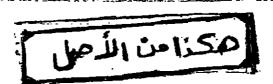
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LEVERAGED BUY-OUTS by Khozem Merchant

The faint-hearted should steer clear

The LBO market is being driven by a wave of mergers and acquisitions and by the rise in the amount of private equity funds

funds are raised at very high rates to buy a company

whose assets are used as collateral against the loan, is not for the faint-hearted. The events of last year, when the Russian debt default squashed the market for high-yield bonds - an

important element in a typically large LBO financing are unlikely to go unheeded. Chastened European investors are suggesting a greater input of equity and senior debt in these innovative types of financings while also becoming more conservative with their

leverage multiples. At the same time a slowdown in the euro-zone economy will test the nascent industry's ability to remould heavily leveraged deals hit by the tougher economic cli-

There are two main groups of factors driving the European LBO market, which grew by value from \$9bn in 1993 to about \$36.6bn five

First is mergers and acquisitions, which is being fuelled by a wave of industrial consolidation in the euro-zone. At the same time more robust demands for shareholder value are forcing companies to sell

peripheral assets and refo-

"For the first time institutional investors in public and private markets are looking at Europe on an integrated basis and this is driving consolidation across the region," says David Gregson, managing director of Donaldson, Lufkin & Jenrette Phoenix Private

The second engine of growth is the increase in the size, as opposed to number, of private equity funds, in particular US investors looking to migrate from

Leveraged buy-outs, where Law, head of leverage yield or LBO funds. This has finance at Warburg Dillon Read, describes as "pent-up buying power at an all-time high. There are simply not enough quality transactions available to satisfy the vol-

ume of funds raised." In 1995 the pool of available funds for LBOs was \$5.9bn, swelling to \$22.6bn in 1997, report Warburg Dillon Read. Leveraged up by a factor of, say, four, the real firepower is between \$50bn-\$80bn looking for deals.

Private equity firms have been the catalysts. "They have had some great oppor-tunities to make money," says Hugh Briggs, vice-president of acquisition leverage finance at Salomon Smith Barney. "They were riding a rising cycle and vendors were getting great prices."

There is now a more cautious approach. Investors had been paying multiples at the peak of the cycle. The key issue now, he says, is "Are people overpaying? Most investors are now staying liquid rather than overpaying." Recession will tease out the answer.

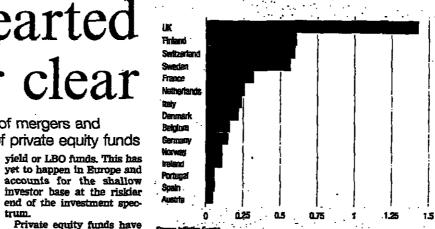
British private equity funds drive the European market. Some of the leading participants such as CVC Capital Partners and Doughty Hanson have raised funds of between \$2.5bn and \$3bn since 1996.

The size of some recent LBO teams were a problem, LBOs is illustrative. They too, forcing some to turn include Kappa Packaging (Cinven-CVC, \$1,670m); Willis Corroon (KKR, \$1,565m) and IPC magazines (Cinven, \$1,415m) These funds face big

threats from their larger US rivals such as KKR, Warburg are now increasing their Pincus and Hicks, Muse, LBO teams. Tate & Furst, which between them boast global firepower approaching \$20bn.

broad fault-lines. First is a slowdown in the European In the US massive liquideconomy. Markets can adjust ity has flooded into the big to this by leveraging down and cutting the number of mutual funds, which in turn The result is what David invested in dedicated high-

European buy-out activity 1997 (ss % of CDP)



partly attracted strong

inflows because of what

bankers describe as a "com-

pelling case going forward".

One barometer is that buy-

out activity as a percentage

of gross domestic product in

the United Kingdom in 1997

was 1.43 per cent compared

with 0.15 per cent for Ger-

rity of the UK. More impor-

tant for investment banks

reveals the potential of con-

tinental European markets,

Price aside, the surplus of

"Last year on a number of

funds chasing too few deals

occasions there was a mis-

match between the volume

of deals coming to the mar-

ket and retail banks' ability

to digest them." says David

Farley, head of LBO finance

at J.P. Morgan. "As a result

several large deals failed to

More recently, some deals

which encountered difficul-

ties betray what one banker

describe as the "high water-

European banks' small

away deals when the volume

rose. "Given the relatively

uniform pricing, banks chose

straightforward deals and

turned down the complex or

highly leveraged transac-

tions," said Farley. Banks

completely syndicate."

deal-making".

especially Germany.

has caused problems.

This illustrates the matu-

	1993	1994	1995	1996	1997
UK .	4295	5630	8756	12228	17014
France	1362	1663	1501	1680	5261
Germany ·	596	1122	952	1792	3801
Switzerland	566	450	641	1438	2477
taly .	608	-528	276	1024	. 2972
Other	1565	3202	2429	3651	5045
Total	8992	12595	14456	21814	36569

The challenge will be how the risk appetite of the conskilfully market participants restructure existing highly leveraged deals hit by the tougher climate. The more mature US market has been routinely dealing with this

problem for years. Second is the issue of security and who gets paid, and in what order, in the event of a default. In the US bondholders fall behind banks but ahead of ordinary creditors (suppliers). In Europe hanks are followed by the ordinary creditors, ahead of

bondholders. mark of aggressiveness in "The first default of an LBO with high-yield financing could be a legal beanfeast," says Mr Briggs at Salomon Smith Barney, This is because high yield is governened mainly by New York law, syndicated loans by English law and securities by local laws.

"I expect a significant LBO the next two years," he says, To a large degree the leveraged finance market is

Bankers identify two predicated on the revival of the high-yield bond market, a casualty of the Russian debt default last August. High-yield financing will test

servative European investor The safety net is developing a deeper and broader investor base. "For all of this equity to be utilised we need to continue to broaden the debt investor base beyond traditional European senior bank lenders," says Tom Hagerstrom, head of high

yield origination at J. P. Morgan. He says the critical issue is raising the availability of institutional debt in these structures. "If senior or subordinate debt can be increasingly placed with more European institutions, I think the long-term dynamics of European LBO are compelling."

he adds. Some of the influencing factors will be the development of the dedicated funds targeted at individual investors or institutions, who do defaulting in euro-zone in not have credit skills to invest on their own.

> US banks routinely talk of their more sophisticated "way of looking at credit. That is one reason why they may continue to drive the LBO market in the euro

DERIVATIVES by Arkady Ostrovsky

Greyer, but more respectable

The image of a business which has more in common with gambling than with banking is receding

burg Dillon Read.

cantly.

derivatives.

cent." he adds.

and effort.

Mr Stolz says while the

UBS is still one of the main

providers of volatility prod-

ucts, it has tightened its lim-

Last month UBS also said

its for risk exposure signifi-

it was pulling out of energy.

hase metals and electricity

ity used to account for 80 per

cent of our total revenues in

tomising products to the spe-

rate and currency swaps

may still account for most of

the volume in fixed income

derivatives, but investment

banks say they no longer

represent most of the value

are harder to account for.

environment.

cific needs of the client.

two commodities were in such large supply last year that even hard-bitten traders found themselves treading water.

First there was Russia's double act of default and devaluation, which led to a credit squeeze and the annulment of forward contracts that were supposed to protect foreign investors from such an eventuality.

That was followed soon after by the near-collapse of Long-Term Capital Management, a US hedge fund specialising in equity derivatives. It was forced to unwind its positions at a time when there were few buyers in the market.

These were some of the highlights of a year that sent the shock waves throughout the derivatives markets.

UBS, the Swiss bank created in the merger of Union Bank of Switzerland and Swiss Bank Corporation, SPr984m and led to the resignation of Mathis Cabiallavetta, its chairman.

The effects of the Russian crisis are still feeding through capital markets as banks try to recover their losses. Both events caused banks to reduce their appetite for risk and their exposure to equity and credit derivatives. In addition, the introduc-

tion of the euro removed the need to hedge against foreign currency risk in the 11 euro-zone countries, removing a large chunk of business in fixed income derivatives markets in Europe.

"Implied volatilities have risen to historically high levels and people are very cau- in an increasingly low-yield tious about rising volatility across Europe and the US," says Chris Goekijan, co-head of fixed income and derivatives division at Credit Suisse First Boston, one of the "We have reduced our risk year. The issuer, on the

Derivatives traders thrive on appetite, especially for vola- other hand, hedges its interrisk and volatility. But these tility, and we are much more est rate risk by writing a conscious of counter-party swap with the bank which risk and credit exposure." says Wolfgang Stolz at Warbased financing.

"The trend is moving from conventional straightforward derivatives, which market, into value-added products which customise volatility and debt portfolios for individual clients," Mr Bertrand explains.

The biggest growth area. however, is equity deriva-

"Products linked to volatil-"As interest rates came down and investors became equity derivatives. Now it more bullish on equity markets, they started buying accounts for about 40 per equity notes where you have As in many other maturprincipal protection and ing industries, the talk your ultimate upside is among investment banks is linked to the return of some about adding value and cus- market or some stocks." explains Thomas Reagan, managing director of equity Straightforward interest

Over the past two years one of the most popular equity derivative products has been convertible bonds, which can be converted into shares of the issuer when the share price is higher

Eric Bertrand, managing than bonds. director of fixed income But the turbulence in capiderivatives at J. P. Morgan, tal markets and rising volasays that, while the headline tility meant that many numbers show that volume banks found themselves growth has slowed from 30 short of long-dated volatility products. This has prompted per cent a year to 10 per cent, these figures do not the development of so-called reflect structured derivareverse convertibles, tives, which are not traded

The investor who buys a in the market and therefore obliged to turn it into shares "Structured derivatives only if the market goes down are expanding by 30 to 40 per and the share price drops cent a year," Mr Bertrand below the value of the bond. says. The demand is partly Meanwhile, an investor driven by insurance compareceives a high premium on nies and institutional investhe paper. tors looking for higher yields

Many bankers say the image of derivatives which has more in common with gambling than with banking is receding. So too, they claim, is the era of Nick Lee-

The industry may be greyer, but it is also beginning to get respectable.

German insurance compa-

nies, for example, are invest-

ing in derivatives based on

bonds which have higher

yields because they can be

called by the issuer every

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networks work wonders.

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